Annual Report 1999 - 2000

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LOTO-QUÉBEC'S MANDATE

LOTO-QUÉBEC IS A PROVINCIALLY OWNED CORPORATION WITH A SINGLE SHAREHOLDER, THE QUÉBEC GOVERNMENT.

Since it was established in 1969, Loto-Québec has operated lotteries, betting games and games of chance, either directly or through its various subsidiaries. Loto-Québec's mandate revolves around four main objectives, coupled with an active social conscience.

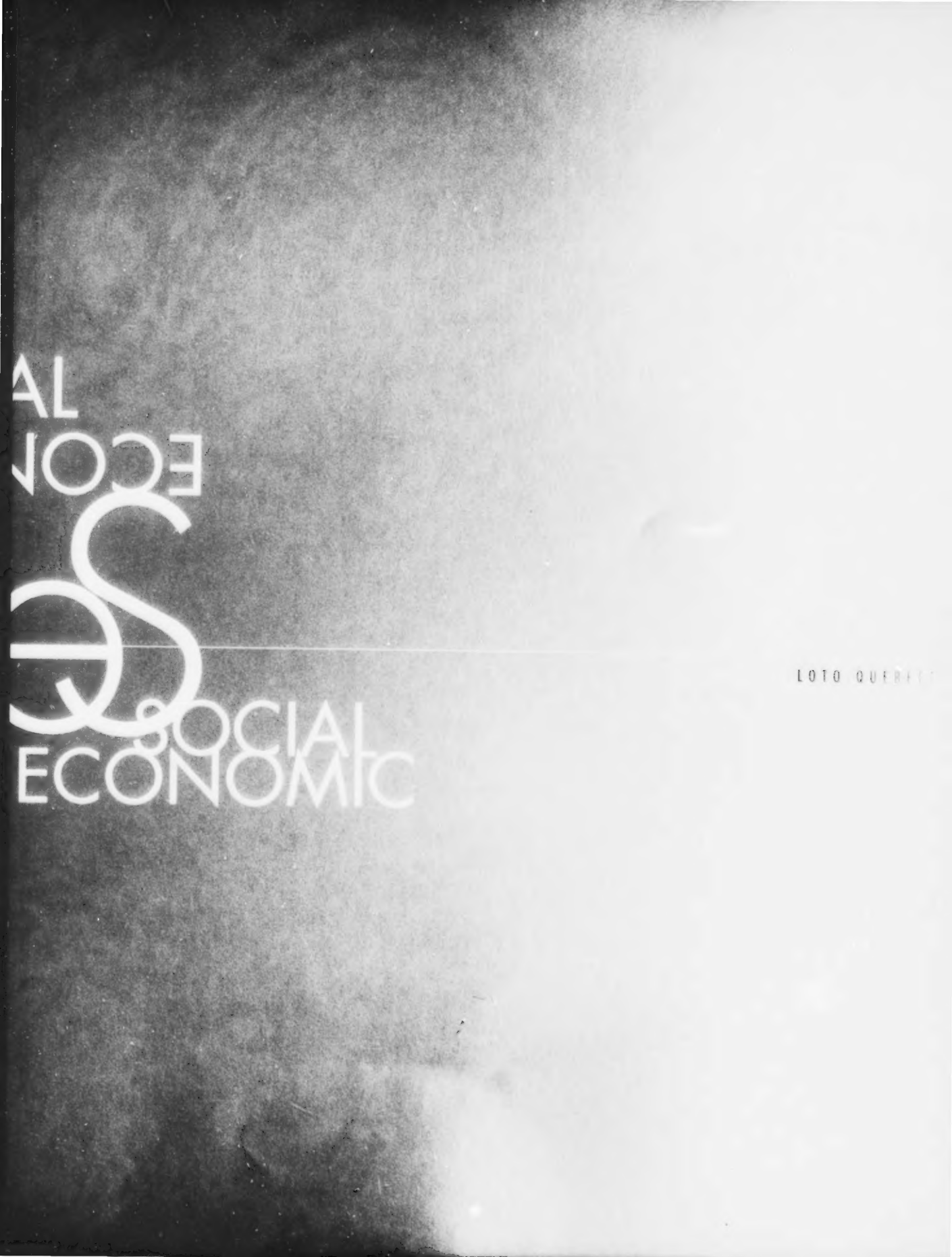
Performance: optimize net revenues by offering the best possible entertainment products and services.

Integrity and credibility: rigorously uphold the integrity and credibility of all games under its administration, and the transparency of its operations.

Expansion: diversify its activities by developing appropriate new games and markets.

Competence and expertise: maintain its leadership in the field by promoting the development of the skills it requires.

Social conscience: fulfil its responsibility as a corporate citizen by expanding the ways of sharing the fruit of its operations with the various communities and regions and increasing its activities in the prevention of compulsive gambling.


AL
ECON
SOCIAL
ECONOMIC

Social

148 non-profit organizations

$18.4 million

and bingo games.

Here they are
(Details on page 33)

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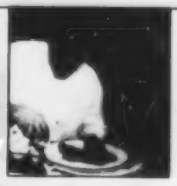


and **Economic Partner**

Both

A state-run corporation whose success is in proportion to the encouragement it is given by the public. Loto-Québec returns the entire fruit of its operations to Quebecers as a whole.

$3.444 billion

in revenues in 1999-2000

$3.444 billion

distributed as follows

$1.251 billion

in dividends to its sole shareholder, the Minister of Finance of Québec

$932 million

to the winners of lotteries and bingo games

$411.5 million

to our partners in the lottery, video lottery and bingo networks

$400.3 million

in purchases of goods and services

$263 million

in salaries and benefits to 5,974 employees

$149.6 million

in taxes remitted to the governments

$36.6 million

in contributions to the Fonds d'aide à l'action communautaire and other designated government funds

In addition to passing on to the public the fruit of its operations, Loto-Québec has a invigorating effect on many aspects of Québec life.

- Creation of jobs, both direct and indirect
- Training of specialized personnel
- Inclusion of charitable organizations in the proceeds from its gaming sectors
- Development of Québec expertise
- Formation of partnerships with the private sector
- Launching of young companies on the international scene
- Contribution to regional economic and tourist development
- Sponsorship of regional, community, sporting, artistic and cultural events
- Spotlighting of Québec performing and visual artists through shows staged by the Montréal and Hull casinos and the Loto-Québec art collection
- Creation of a network of partners in research, prevention and treatment related to compulsive gambling

and Invigoratin

LOTO-QUÉBEC:
A PROFITABLE,
INVIGORATING
SOCIAL AND
ECONOMIC PARTNER
FOR QUÉBEC!

The Impact of Strategic Orientations Focusing on Expansion

Firmly anchored in a vision for the future, the particularly positive results of fiscal 1999-2000 confirm the validity of our strategic orientations which mean expansion for Loto-Québec.

The company ended the year with total revenues of $3.444 billion. This amounts to growth of $313.9 million or 10% over the previous year. Consolidated net income was up 10.3%, at $1.325 billion. That is what our efforts add up to.

Lottery sales rose 6% to reach a new high of $1.8 billion. This year, once again, the lottery sector made the largest contribution to the company's sales figure (51.3%), and provided 36.2% of consolidated net income. With revenues of $683.5 million, La Société des casinos du Québec inc. registered growth of 7.9%. Casinos accounted for 19.8% of the consolidated sales figure, and 21.9% of consolidated net income. Also up, revenues of La Société des loteries vidéo du Québec inc. totalled $928.4 million, 20.9% more than in 1998-1999. This sector contributed 27% to total revenues, and 41.8% to consolidated net income. More active than ever in an industry in the midst of a reorganization, La Société des bingos du Québec inc. recorded revenues of $40.4 million, and distributed more than $9 million to the non-profit organizations that count on bingo events to finance their charitable activities. The bingo sector's contribution amounted to 1.2% of consolidated revenues, and 0.2% of consolidated net income.

A rapid analysis of these figures shows just how much Loto-Québec has evolved, through the diversification of its activities, from its initial function as a lottery organization to become an entertainment company.

Our Expansion in Partnership

The inauguration of the Manoir Richelieu / Casino de Charlevoix resort complex, the launch of the first CD lottery, produced by INGENIO in association with the multimedia industry, and the founding, with CGI, of a joint venture for exporting Québec know-how are all highlights of the year ended as well as main lines of expansion for the company.

The Manoir Richelieu / Casino de Charlevoix resort complex – the $145.6-million project stemming from the consortium which Loto-Québec formed with Canadian Pacific Hotels and the Québec Federation of Labour's Solidarity Fund – was inaugurated last June 24, after 10 months of intensive efforts totalling 800,000 person-hours.

Beyond the economic impact of the construction and outfitting of this complex (760 workers from some 20 different trades were involved), this world-class resort will generate sizable spinoffs, in the short and long term, both for our gaming establishment and for the Québec tourist industry.

On the strength of this conclusive initial experience, we have drawn up a project that will make the Casino de Hull the hub of the first urban resort in Québec. This $228-million real estate development, which got under way in the last quarter of the year, will create 2,550 direct and indirect jobs during construction and will mean 550 new jobs once the work is finished.

In a tangible result of the multimedia focus adopted by our research and development sector, we launched the world's first CD lottery, *Treasure Tower™*, in February 2000. This brand-new product, developed by our subsidiary INGENIO, opens up an unexplored world that confirms the leadership of Loto-Québec and gives it an entry onto international markets for game exports.

Finally, at the end of the fiscal year, we joined with information technology giant CGI to establish a joint venture that will offer lottery organizations all over the world integrated services for consultation, management, and the development and sale of computer software and technology. This new company, which fits into a relatively untapped niche, promises to be most profitable, both for Loto-Québec and CGI, and for Québec.

Our Performance

Lotteries: Remarkable Progress – With revenues of $1.8 billion, lotteries recorded 6% growth over the year before, a performance that reflects the combined efforts of our marketing and sales forces.

Adapting our marketing to changing customer tastes, we emphasized the entertainment value of our traditional products. As a result of the value added to instant lotteries, for example, this category posted sales that were up 15.7% from the previous year. Another outstanding improvement was shown by *Super 7*, with a 23.7% leap.

In the area of sales, we took advantage of the installation of the V3000 terminal and the launch of the world's first CD lottery to strengthen our ties with our network of 11,450 retailers, one of the most extensive distribution networks in Québec.

In addition, anticipating the appeal of the redesigned Lotomatique subscription offering more lotteries and packages, we invited new non-profit organizations to participate in selling this product as a way to increase their revenues. Our network consequently grew by more than 150 organizations, bringing the number of these sales partners to 917.

Casinos: A Lever for Tourism – Revenues of the casino sector rose 7.9% to $683.5 million. The Casino de Montréal recorded sales of $454 million, an increase of 9.9% compared with fiscal 1998-1999, when it felt the effects of a six-week work stoppage. In 1999-2000, the reorganization of gaming and dining areas, along with the growing success of the *Cabaret*, helped maintain attendance levels at this establishment which remains one of the world's leading casinos.

The Casino de Hull increased its revenues by 2%, with a sales figure of $194 million. Once the current construction project is completed, the Casino de Hull will be well placed to meet the challenge of the new competitor in the Ottawa-Carleton area, and to reassert its role as a major tourist attraction in the Outaouais region.

The first of our three gaming houses to benefit from our partnership with the hotel industry, the Casino de Charlevoix registered 16.9% growth, with revenues of $35.4 million. More spacious and better equipped to accommodate an expanding clientele, the establishment already shows improving results. It should be noted that the Casino de Charlevoix carried on its operations throughout the construction process.

Our Restaurants: Stars... Diamonds... Gold... The thriving restaurant sector posted revenues of $66.6 million, 18.8% more than the year before. These tangible results go hand in hand with our establishments' impressive culinary reputation.

Given five stars by the American *Mobil Travel Guide* for the fifth year in a row, the *Nuances* restaurant at the Casino de Montréal is now the only establishment in Canada to be so honoured. Also listed among the country's top hundred restaurants in Air Canada's *enRoute* guide, *Nuances* achieved four-diamond rating with the CAA, a distinction shared by the Casino de Hull's restaurant *Le Baccara*. We are proud of the prestige enjoyed by our dining facilities, which constitute a major asset for our gaming houses.

Video Lotteries: Sustained Growth – Up 20.9%, the video lottery sector recorded sales of $928.4 million. With net income of $553.8 million, 24.7% more than in 1998-1999, this sector made the year's largest contribution to the consolidated net income of Loto-Québec.

We recognize, however, that to maintain video lotteries' profitability, we will have to invest in new technologies to increase, here as well, the entertainment value sought by customers.

Bingo: Profitable Initiatives for Non-Profit Organizations – Essentially based on a partnership with non-profit organizations, our bingo sector shared its profits with 1,231 NPOs throughout Québec, which received 73% of its net income, a contribution of more than $9 million.

Over the past fiscal year, we toured Québec to meet and talk with organizers and promoters of bingo events and to propose measures likely to revitalize this changing industry, a highly positive initiative we are repeating this year. La Société des bingos du Québec inc. also works closely with Québec's Régie des alcools, des courses et des jeux in the search for satisfactory, profitable solutions for industry stakeholders.

Multimedia: A New Move towards Innovation – Our subsidiary INGENIO, the product of our partnership with the multimedia industry, reported earnings before even completing its first year of operations. It was during the last quarter of fiscal 1999-2000, in fact, that INGENIO delivered the master disk for the world's first CD lottery, *Treasure Tower™*, to Loto-Québec.

The first step in an as yet undreamt-of direction, our CD lottery lays the foundation for a new generation of games. Promising great profitability for Loto-Québec and Québec, this accomplishment confirms Loto-Québec's world leadership, and opens up many new opportunities for Québec expertise. Indeed, INGENIO has already brought along in its international wake its Québec multimedia partners, ZAQ Technologies and Sarbakan.

Our partnerships help boost the growth of various key industries in the Québec economy, where they have a threefold impact: they create a spinoff effect for our attainments in terms of expertise and facilities, they energize the related industries with which we are associated and they contribute to a positive trade balance by promoting tourism and the export of products and services.

At the Heart of Québec Life

A state-owned corporation built and supported by the vitality of its community, Loto-Québec is closely linked to the everyday reality of the Québec public. Of course, creating happy people is the agreeable feature of our mandate, a feature we try to constantly extend, beyond the fulfilment of our mission which is to optimize the performance of our gaming operations.

Accordingly, along with our expansion, our participation in the various forms of expression in Québec life is of great importance to us. The support provided by our sponsorship program to a growing number of popular, sporting, cultural and artistic events throughout Québec is coupled with a corporate commitment that has an invigorating effect in a number of areas.

In this regard, our commitment to the prevention of compulsive gambling should also be noted.

On top of the budget which we devote every year to carrying out our corporate program for scientific research and the prevention of compulsive gambling, we gave our commitment, this past year, to the Ministère de la Santé et des Services sociaux to spend $44 million over six years in order to ensure the necessary support and services for compulsive gamblers. The first $3-million payment which we made in the past year under this commitment brought our total 1999-2000 contributions to the prevention of compulsive gambling to more than $6 million.

In the world of the arts, we are especially proud of having moved up the return to the Musée du Québec of the magnificent fresco by Jean-Paul Riopelle, *L'Hommage à Rosa Luxemburg*, which was in our Casino de Hull until this past February. In giving up the privilege we had acquired for a 20-year period, we wanted to provide the work with a worthy environment and a larger audience of admirers.

And that, in brief, sums up the last fiscal year for Loto-Québec. This year, which may be described in numbers, in accomplishments and in dynamic initiatives, attests to the validity of our orientations, the creativity and know-how of all sectors of the company and the vigour of our partnerships.

Our Future Prospects

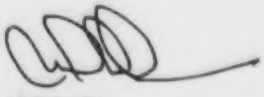
We must recognize that various phenomena will change the gaming industry dramatically. In its determination to meet these new challenges, Loto-Québec will remain attuned to its customers, will continue its innovative development and will keep up its role as a leader on the international scene.

Aware of the potential of research and development, particularly in the realm of information technology and multimedia, Loto-Québec is relying heavily on these sectors to ensure its growth.

We know, however, that our expansion must rest on a solid foundation. Loto-Québec has based its reputation on integrity and credibility. It plans to maintain its independence and attainments by counting on vigilance and security. Our games and gaming systems, our installations and the conducting of our operations are the subject of constant vigilance backed up by the best technological equipment.

But above all, Loto-Québec is counting on its human resources. And it is with great pride that I pay public tribute to our employees in all sectors, who deserve credit for the results contained in this annual report. I also salute our partners in private enterprise and the community sector, whose cooperation is indispensable to us. To the members of the Board of Directors, I reiterate my gratitude, with special thanks to Francine De Montigny-La Haye, who left us at the end of the year, and a warm welcome to Joseph Benarrosh.

In closing, I cannot hold back my confidence in the future. With the groundwork we have laid, there is no limit to what we can hope for in this, the 30th year of Loto-Québec.



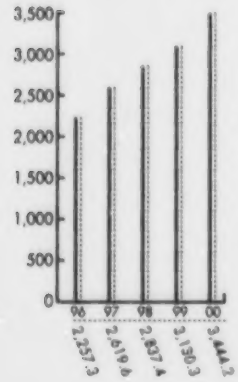
Michel Crête
Chairman and
Chief Executive Officer

KEY FIGURES

	AS AT MARCH 31, 2000 – IN THOUSANDS OF DOLLARS		
	2000	1999	% CHANGE
TOTAL REVENUES	**3,444,225**	3,130,279	10.0%
LOTTERY SALES	**1,768,224**	1,668,625	6.0%
LA SOCIÉTÉ DES CASINOS DU QUÉBEC INC.	**683,461**	633,495	7.9%
LA SOCIÉTÉ DES LOTERIES VIDÉO DU QUÉBEC INC.	**928,412**	767,969	20.9%
LA SOCIÉTÉ DES BINGOS DU QUÉBEC INC.	**40,433**	41,252	-2.0%
INGENIO, FILIALE DE LOTO-QUÉBEC INC.	**323**	-	100.0%
RESTO-CASINO INC.	**66,558**	56,037	18.8%
PRIZES AWARDED – LOTTERIES	**913,752**	859,155	6.4%
PRIZES AWARDED – BINGO GAMES	**18,265**	18,572	-1.6%
GROSS PROFIT	**2,057,480**	1,862,642	10.5%
NET INCOME	**1,325,791**	1,202,003	10.3%
DIVIDENDS	**1,251,000**	1,162,000	7.7%
FONDS D'AIDE À L'ACTION COMMUNAUTAIRE AUTONOME	**16,348**	17,133	-4.6%
CONTRIBUTIONS TO THE QUÉBEC GOVERNMENT	**20,240**	18,468	9.6%
OTHER AMOUNTS PAID TO THE QUÉBEC AND CANADIAN GOVERNMENTS	**117,640**	107,932	9.0%
TOTAL ASSETS	**643,075**	557,325	15.4%
SHAREHOLDER'S EQUITY	**132,598**	94,395	40.5%

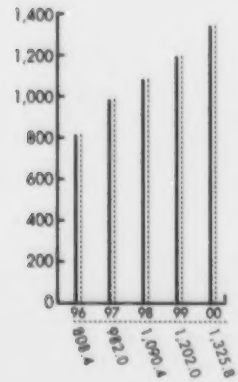
TOTAL REVENUES

IN MILLIONS OF DOLLARS



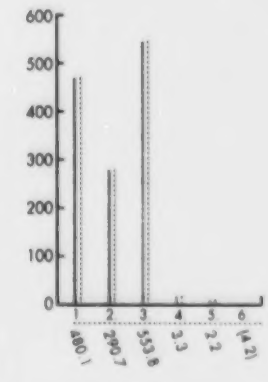
NET INCOME

IN MILLIONS OF DOLLARS

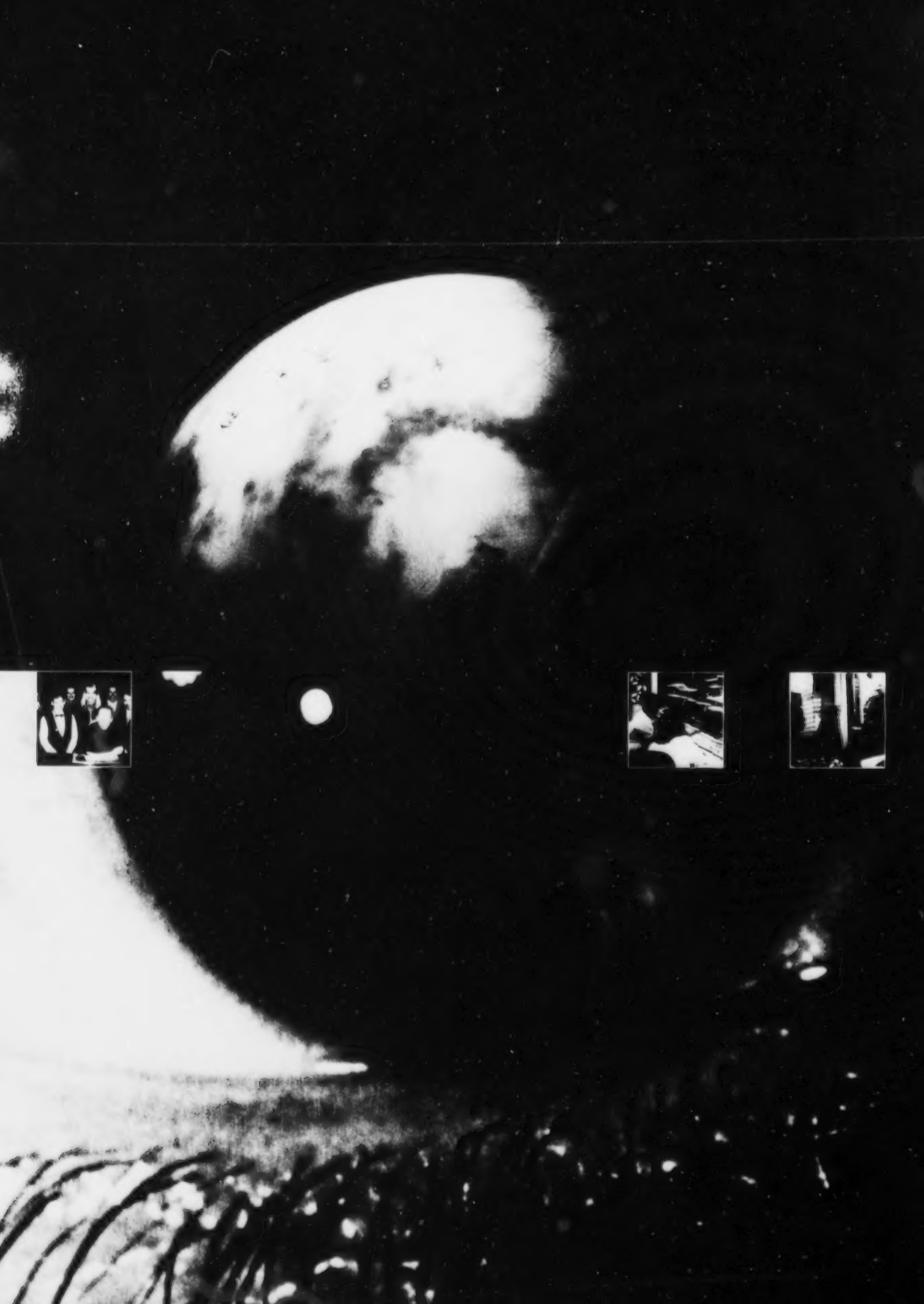


DISTRIBUTION OF NET INCOME

IN MILLIONS OF DOLLARS



1. Lotteries
2. La Société des casinos du Québec inc.
3. La Société des loteries vidéo du Québec inc.
4. La Société des bingos du Québec inc.
5. Resto-Casino inc.
6. INGENIO, filiale de Loto-Québec inc.



Over the past three decades, Loto-Québec has become a major corporate undertaking in Québec. In less than six years, the changes the Corporation has undergone, the diversification of its activities and the growth of its sales have enabled it to double the dividend it pays to its sole shareholder, the Québec government. For fiscal 1999-2000, this dividend totals $1.251 billion.

OUR RAISON D'ÊTRE:

OPTIMIZE THE PERFORMANCE
OF OUR MONEY GAMES
AND GAMES OF CHANCE,
FOR THE BENEFIT OF QUÉBEC

Strategic Planning: developing a vision for the future, the main focus of our expansion

Strategic planning, the cornerstone of the Corporation's coherent expansion, defines our corporate orientations and strategies on the basis of Loto-Québec's mandate, fundamental values and priorities. All of the activities and accomplishments described in this annual report consequently stem from the corporate orientations and strategies defined in our Corporate Plan 1999-2002, which is briefly summarized hereafter.

Increase Loto-Québec's consolidated net income, with the contribution of each subsidiary, by focusing on

- fresh and interesting games and products
- outstanding customer service
- efficient structures and operations.

Fulfil its role as a corporate citizen of Québec, both socially and economically. To achieve this, the Corporation

- increases its activities in the areas of scientific research and the prevention and treatment of compulsive gambling
- offers partnership agreements to non-profit organizations
- shares the fruit of its operations with the different communities and regions
- favours partnerships with the private sector
- generates tourist spinoffs in Québec.

Maintain Quebecers' high level of trust in the Corporation by rigorously upholding

- the integrity of its systems, games and draws
- the transparency of its communications with all Quebecers.

Rally support for its objectives among employees in all its activity sectors and intensify their sense of pride and belonging to the same organization. To achieve this, the Corporation relies on

- improving its induction and integration programs
- optimizing its employees' knowledge and expertise
- succession planning
- increasing the number of internal corporate communication tools
- developing means and tools designed to build employee loyalty.

Make the research and development function an instrument of corporate growth and profitability

- by ensuring that its business units develop games and products that meet changing customer tastes and help expand their respective markets
- by exploring, outside the Corporation, the commercial potential of the products it develops.

These five main orientations are based on the Corporation's fundamental values

- innovation and leadership in the gaming sector
- strong sense of responsibility and of its role as a corporate citizen
- transparency and maintaining a high level of public trust
- contribution to Québec's economic and social development
- respect for employees.

success is FUNDAMENTAL RESOURCE

Expertise competence

The key to our success, our human resources are at the root of all our accomplishments and embody the competence and expertise that characterize Loto-Québec.

Our Fundamental Resource:

Competence and Expertise

In its determination to foster the development and fulfilment of its human resources and retain the skills it needs, Loto-Québec has instituted a wide range of programs encompassing training and professional development as well as job motivation and satisfaction. These programs, which fit into a corporate framework of support for our strategic orientations, are aimed at making the best possible use of our human resources.

Sustaining Competence and Expertise

At Loto-Québec, we recognize the invaluable contribution made by our human resources, but we are also aware that competence and expertise are values sustained by continuing growth and professional development.

To offer our employees solid support in performing their duties and in their career paths, we therefore provide them with ongoing training. In the past fiscal year alone, we devoted 16,800 days to personnel training, the equivalent of 2.8 days per employee.

Casino personnel were the beneficiaries of particular attention, because of the introduction of the *Casino +* program, designed for continuous improvement of customer service, and *Casino Privilèges*, a computerized customer appreciation program for slot machine players. Security personnel also received training to help them intervene tactfully in delicate situations.

Special training was given to computer personnel, to introduce them to new software programs, while our office automation staff mastered more efficient work tools.

Creating and Maintaining a Sense of Pride and Belonging A sense of pride and belonging is an important motivational factor. And Loto-Québec wants all its employees, in all sectors, to share a sense of belonging to the same overall organization.

With this in mind, in 1999-2000 we modified our employee induction system and initiated new programs. Now, all new employees are invited to take part in a corporate integration day which allows us to project a consistent overall image of the company and its operations, and to instil in each of them a sense of belonging to all of Loto-Québec. In addition, each subsidiary now has its own induction and integration program.

Meeting the Needs Loto-Québec not only tries to help its employees perform their duties well, it also wants them to be happy in their work. To this end, the company offers its personnel a variety of services and programs of assistance.

In January 2000, parents and grandparents working at head office celebrated the 10th anniversary of the dynamic daycare centre *Les Minis*, whose services are particularly appreciated. Soon, employees at the Montréal and Hull casinos will also enjoy daycare facilities close to their place of work. The daycare centre in Montréal will be set up in the new multipurpose complex, while the Hull facility will be built shortly according to plans that have now been finalized.

In the last quarter of the year ended, we also instituted a financial planning program available to employees who are preparing for their retirement.

A Top-Quality Employer During the past fiscal year, the Corporation hired 698 regular employees and 110 supernumeraries for its operations as a whole, in addition to 1,064 casual employees for the casino sector. In December 1999, we renewed the labour agreement with the Syndicat des professionnelles et professionnels du gouvernement du Québec (Loto-Québec branch) for five years. The previous agreement had expired in June 1998.

In keeping with its social commitment, Loto-Québec tries to reflect the diversity of Québec's population in its workforce and to develop job skills by hiring young graduates.

In this spirit, in 1999-2000 we heightened our presence at the various job fairs, took on four graduating students for two-year paid internships, and awarded scholarships combined with internships to 10 university students with disabilities.

Loto-Québec, which was described as "a top-quality employer" in the *Guide de l'emploi 2000*, had a total of 5,974 regular employees as of March 31, 2000.

	AS AT MARCH 31, 2000			
	Lotteries	La Société des loteries vidéo du Québec inc.	La Société des bingos du Québec inc.	INGENIO, filiale de Loto-Québec inc.
CATEGORY	NUMBER OF EMPLOYEES			
MANAGEMENT	92	13	4	4
PROFESSIONAL	195	9	6	5
TECHNICAL	121	8	5	3
OFFICE	255	11	9	7
MULTIMEDIA DESIGN / REPRESENTATIVES	–	–	–	17
TOTAL	**663**	**41**	**24**	**36**

	La Société des casinos du Québec inc.						
CATEGORY	HEAD OFFICE	CASINO DE MONTRÉAL	CASINO DE CHARLEVOIX	CASINO DE HULL	RESTO-CASINO MONTRÉAL	RESTO-CASINO HULL	TOTAL
MANAGEMENT	7	442[1]	47[2]	200[3]	17	9	722
OPERATIONS MANAGEMENT	–	–	–	–	39	20	59
PROFESSIONAL	11	22	3	17	4	1	58
TECHNICAL	19	173	30	124	2	–	348
GAMES	–	1,031	127	367	–	–	1,525
OFFICE SUPPORT	36	459	68	222	18	4	807
GENERAL SUPPORT	–	560	72	150	638	271	1,691
TOTAL	73	2,687	347	1,080	718	305	5,210

(1) Including 232 table managers
(2) Including 17 table managers
(3) Including 99 table managers

TOOLS OF EXPANSION

Ingenuity leadership Creativity

THE TOOLS OF OUR EXPANSION:

bold, creative and innovative, our research and development sector is continually involved in short and long-term projects, and forms the cornerstone of our expansion.

CREATIVITY AND INGENUITY

Research and development related to products, services and markets, which has already generated some world firsts confirming our leadership, remains the incubator responsible for our prosperity.

In fact, it was to give greater impetus to the development of our multimedia projects that last year we created our subsidiary INGENIO which, as will be seen later in this report, is already positioned as a worldwide reference in the industry of multimedia money games and games of chance.

With its solid foundation, Loto-Québec is counting more than ever on research and development in the medium and long term to discover new and original applications in the gaming industry, open up innovative avenues, in partnership with Québec companies, create undreamt-of markets and reach new peaks.

By investing in research and development, Loto-Québec knows that it is investing in its expansion and, consequently, in optimizing its performance.

The nerve centre of our operations, the information technology sector ensures that our systems are up to date and reliable, and contributes to developing new products and improving service to consumers, retailers and wholesalers in the lottery sales network.

The transition to the year 2000 clearly called for information technology expertise. Nothing was left to chance in seeing that the gaming and game management systems and administrative systems were certified Y2K ready, for both January 1 and February 29, as well as March 31, the last day of our fiscal year. Altogether, $16 million and more than 22,000 person-days were invested in carrying out the necessary activities for a smooth transition.

New Developments

... At points of sale At the same time, we proceeded, as planned, with the installation of V3000 game terminals and the conversion of the game data transmission system to digital technology. As of March 31, 2000, more than three-quarters of retailers equipped with game terminals were using the new V3000. Installation of this new generation of terminal throughout the lottery sales network should be completed during the first quarter of the current year.

In addition, since October 18, 1999, a prototype for a self-service game terminal (Loto Direct) has been on trial at 25 points of sale in the Montréal and Québec City regions. This project, designed to facilitate the sale of lottery products in superstores and by retailers who have multiple cash registers, is currently being market-tested.

Installation of the prototype was preceded by a technology test run successfully from September 13 to October 17, 1999 at three locations in the Montréal area.

... In games In terms of improvements in existing products and in game design, we completed the multiple *Extra* project, which enhances both *Extra* and the selection forms for certain on-line lotteries. These new features will be introduced in the coming months, once installation of the V3000 terminals is complete.

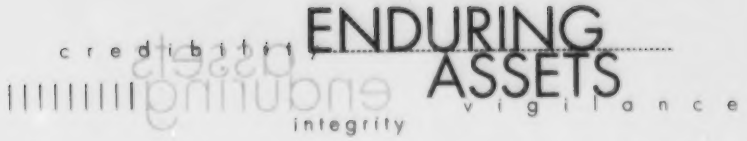
We also made major changes in the instant lottery management system, allowing an increase in the number and variety of instant games launched annually.

Finally, we completed the overhaul of the lottery subscription system, an undertaking begun in April 1999. Based on a flexible, evolving technological platform, the new Lotomatique now offers access to *Québec 49*, *Super 7* and *Extra* (plus the multiple *Extra* version), in addition to *Lotto 6/49*.

For the casino sector, the information technology team created *Méga Keno*, a game inspired by the *Extra* concept, to be installed in our three establishments. Prior to that, on June 1, 1999, *Keno* was added to the Casino de Charlevoix, making this game accessible at all three of our gaming houses.

... In services Since April 1, 1999, the lottery terminal system has been accessible from 5 a.m. on. During fiscal 1999-2000, telephone help line personnel handled 116,493 requests for assistance from retailers and wholesalers in the sales network, up more than 40% from the previous year, an increase due largely to the introduction of the new terminal.

The data processing centre for on-line games set a new record for availability, registering 551 consecutive days without failure as of July 31, 1999, a feat that demonstrates the vigilance of our information technology personnel, considering that more than 433 million transactions were processed in 1999-2000.



Whatever our creative strength, whatever our expertise, nothing could ensure our success if we had not built and maintained our reputation on integrity and credibility.

Our Enduring Assets:

Integrity and Credibility

Integrity and credibility, which are fundamental values of Loto-Québec, call for steadfast vigilance from all our employees. And this vigilance is the constant responsibility of certain sectors of our organizational structure, in particular.

A Constant Overlapping of Actions on Several Fronts

ecurity, corporate secretariat and legal expertise, internal audit, finance, administration, procurement, supervision of draws, and payments to winners are all areas in which there is a daily overlapping of the vigilance and actions of various corporate sectors that are guardians of the Corporation's integrity.

In addition to being specifically called upon for major corporate projects, legal expertise and vigilance played an essential role in 1999-2000 in the construction of the Casino de Hull hotel resort and the multipurpose complex near the Casino de Montréal, the creation of the new joint venture with our partner CGI, the passage of the law prohibiting lottery sales to minors, and the development of brand-new products based on new technologies.

The changeover to the year 2000, the most sensitive activity of the past year, obviously mobilized our resources in the areas of finance, corporate security and internal audit. For this undertaking, the units concentrated their vigilance on monitoring all computer systems of Loto-Québec and its subsidiaries, offering plentiful opinions and advice.

Procurement and Awarding of Contracts Our procurement policies and procedures demonstrate the transparency and integrity that govern our purchases and choice of suppliers. At the same time as we make sure to obtain the best value for money, while satisfying our operational needs for efficiency, we favour buying in Québec and developing Québec companies that meet our requirements.

Loto-Québec pays scrupulous attention to the application of its contract award policies. In the past year, we worked to harmonize and optimize the management policies and procedures related to procurement activities for the Corporation as a whole. Consequently, we established a corporate structure which provides support for the subsidiaries and also ensures strict compliance with policies and procedures in all our areas of operations.

In fiscal 1999-2000, purchases made for the company and its subsidiaries totalled $400.3 million. The Québec content of these purchases was more than 90%.

Carefully Conducted Draws: A Reflection of Our Operations' Transparency Always conducted with the same rigour, our draws reflect the transparency of Loto-Québec's operations and attest to its credibility. In addition to the vigilance required by the regular draws and daily lotteries, various challenges summon up the creativity of the entire team in charge, challenges that must be met without sacrificing the integrity of our operations.

In the year ended, for example, the fall 1999 launch of the television game *La Lampe magique* called for the design and installation of brand-new gaming equipment. As well, the theme lottery *Méga Millions 2000* meant instituting a twofold draw mechanism. In the gala show broadcast on January 9, 2000, we first carried out a draw from among all ticket holders, followed by a second draw to determine, live, the five $1-million winners out of the 45 finalists. These operations were conducted with great skill.

In the area of sports betting, the draw team is assisted by external auditors from the firm of Raymond Chabot Grant Thornton. They help ensure that bets on the thousands of professional hockey, baseball, football, basketball and international soccer games played throughout the year close at the scheduled time. In addition to this exercise in vigilance and accuracy, we ourselves must confirm the game results so that we can pay the winners right away the next morning.

As a company whose distinctive feature is that it creates happy people on a regular basis, Loto-Québec is an inseparable part of the everyday life of Quebecers. This special place we hold at the heart of Québec life is proportional to the trust people have in us – a trust we must maintain at the highest level.

Our Social Dimension:

Efficiency, Transparency, Support and Commitment

From this perspective, listening to our customers and providing customer service are the primary focus of our communications.

In the past year, we responded to more than 10,000 requests for information, criticisms and suggestions from customers. In addition, anticipating the flood of calls that would accompany the launch of the instant CD lottery *Treasure Tower™*, we commissioned and trained a supplier for the sole purpose of handling requests from players seeking technical information on this new generation of lottery. At the end of the first month of marketing *Treasure Tower™*, the firm had already fielded 17,000 calls.

Our payment service issued thousands of cheques to winners, totalling more than $250 million in 1999-2000. The beginning of the year 2000 was particularly busy in this regard: 22 cheques for $1 million or more were issued in January alone – an outright record. In televised lotteries over the whole year, 825 cheques worth a total of $29.4 million were made out to winning participants, in the TVA studios, following the taping of the various shows.

Accessibility and Transparency Taking advantage of the Internet to get closer to the public, we improved our response time to the requests for information submitted to us by E-mail. In the past year, we also paid special attention to reviewing the information content of the Web sites of Loto-Québec and its subsidiaries. As a result of this updating, the number of monthly visits doubled over the year, from 282,000 in April 1999 to 550,000 in March 2000. Consumers in search of the latest winning numbers make up the majority of visitors.

Because its doings regularly make the news, Loto-Québec gives a great many interviews to the print and electronic media, both here and beyond our borders. In this area of media communications, the corporate spokesperson is supported by representatives of our various gaming sectors and establishments.

To promote the tourist attractions of our casinos to outside media, the company set up a media relations unit to carry out this task, in cooperation with partners in the tourist industry. Among other activities, the media relations team lent a hand to their colleagues at INGENIO, whose instant CD lottery has sparked keen interest internationally, and organized media campaigns and special events intended to increase awareness of the Corporation's different facets.

Tangible, Stimulating Support One of Québec's major socio-economic partners, Loto-Québec has always been a valued ally for the various forms of expression in Québec life. By increasing its ways of sharing the fruit of its success with the public, Loto-Québec provides tangible, stimulating support to a growing number of groups and events.

Traditionally, Loto-Québec contributes financially to outdoor regional celebrations and sporting and other popular events, but it is also closely associated with a variety of activities in Québec artistic life.

We are strongly convinced of the need to support the arts community and to contribute to the preservation and enrichment of our cultural heritage. For that reason, we devote hundreds of thousands of dollars every year to highlighting artistic achievements and vocations and disseminating works and knowledge.

The Loto-Québec Collection The Loto-Québec collection, one of our first commitments to the arts world, has become a leader among corporate art collections in Québec. Since it acquired its first original print in 1979, the company has invested more than $2.5 million in its collection.

Every year, Loto-Québec and its subsidiaries devote a certain percentage of their gross revenues to acquiring Québec works. In 1999-2000, we added more than 200 pieces of contemporary art to the collection.

In April 2000, the collection acquired its 2000th work, a recent painting by artist Yves Boucher titled *Prolifération exubérante*, made of engraved and painted cherry wood.

In addition to holding an annual printmaking competition, the collection regularly exhibits its works in community cultural centres, regional museums and exhibition spaces throughout Québec. To date, some 60 exhibitions have given public exposure to works by both young and established artists.

The collection participates financially in a wide array of visual arts events. Notable among them are the *Biennale d'estampes et du papier matière d'Alma*, the international symposium of new painting held in Baie Saint-Paul, the international print biennial in Trois-Rivières, the *Biennale de Montréal 2000* and events for up-and-coming artists, such as *L'art qui fait boum*.

Sponsorships Fiscal 1999-2000 was a banner year for the company's sponsorships in terms of visibility and public appreciation.

Presented in 1999 for the third year in a row, the Orchestre symphonique de Montréal's concerts in the parks are increasingly enjoyed by classical-music connoisseurs and novices alike. These free concerts held in various communities were offered last summer in Drummondville, Montréal and Terrebonne, and will be back in summer 2000.

La Soirée des Masques, the gala annual theatre gathering, was broadcast once again, in cooperation with the Académie québécoise de théâtre. Loto-Québec is also a long-standing partner of the *RIDEAU* gala which pays tribute to the world of the performing arts (producers, broadcasters, artists, etc.).

In Loto-Québec's first year as its official sponsor, the *Just for Laughs* festival achieved popularity that ran well beyond the period of the event itself. After the various scheduled acts had attracted a record crowd of 1.3 million visitors, the hit shows by quick-change artist Arturo Brachetti and Slava the clown were extended, with additional performances in Montréal and Québec City. The free street shows produced some magic moments, as well.

Our fireworks competitions are also drawing ever larger audiences. The *Grands Feux Loto-Québec*, at Montmorency Falls in Beauport, and the *Grands Feux du Casino de Hull*, held just near the casino, are among the top summer popular events and are winning over an increasingly knowledgeable public.

In addition to these cultural and popular activities sponsored by Loto-Québec, the Formula 1 Grand Prix race run on Île Notre-Dame is an international event that offers a unique showcase for the Casino de Montréal and propels Québec onto the world stage before the millions of television viewers who are fans of this spectacular sport.

Non-profit organizations derived $9.4 million from lotteries... The partnership between Loto-Québec and non-profit organizations (NPOs) dates back more than 20 years. From its initial 178, the number of NPOs responsible, on an exclusive basis, for selling Lotomatique subscriptions rose to 917 this year, including 85 that also operate 132 kiosks. These organizations received $9.4 million in commissions in 1999-2000.

... and $9 million from bingo games

In launching on-line bingo in 1997, Loto-Québec extended its partnership to organizations that count on bingo events to finance their charitable activities. In fiscal 1999-2000, La Société des bingos du Québec inc. distributed $9.041 million to 1,231 organizations in all regions of Québec.

The Fonds d'aide à l'action communautaire received $13.2 million from the casinos...

Every year, La Société des casinos du Québec inc. (SCQ) earmarks 5% of its profits for the Fonds d'aide à l'action communautaire, a fund administered by the Secrétariat à l'action communautaire autonome du Québec (SACA) for the benefit of more than 700 NPOs. During the past year, the SCQ's contribution of $13.165 million allowed 744 grants to be made to NPOs in 17 regions of Québec.

... while the Programme d'aide à l'action humanitaire internationale obtained $3.2 million

In addition, the SCQ devotes 1% of its annual profits to the Programme d'aide à l'action humanitaire internationale. This contribution, which amounted to $3.183 million for the year ended March 31, 2000, went to support 78 projects by 34 aid organizations working in a variety of countries.

Loto-Québec has been committed for nearly 20 years to the prevention of compulsive gambling, an area in which its activities have been growing in number and force. The year ended was particularly full in this regard.

Especially noteworthy were two major developments that marked a turning point in the history of the prevention of compulsive gambling in Québec. First of all, the law prohibiting lottery sales to minors, passed unanimously by the members of the National Assembly on December 15, 1999, came into effect on February 1, 2000. In this, the Québec government followed up on a recommendation by Loto-Québec, which had come out publicly in favour of such legislation.

Secondly, Loto-Québec gave its commitment to spend $44 million over six years to finance support and treatment measures for compulsive gamblers, as part of a program administered by Québec's Ministère de la Santé et des Services sociaux in cooperation with community organizations.

The considerable extent of our activities in the area of compulsive gambling in 1999-2000 is reflected in our expenditures on many different facets of research, prevention and treatment.

Loto-Québec provided a $2.11-million subsidy for scientific research and public information and awareness activities related to compulsive gambling, and devoted $1.37 million to financing prevention activities carried out in partnership or sponsorship with public stakeholders. We also made an initial payment of $3 million to the Ministère de la Santé et des Services sociaux, out of the total $44 million we will invest in offering the Québec public the support and services it needs for the treatment of compulsive gambling.

Support for Research With Loto-Québec's support, scientific research made two new advances that will have a worldwide impact on the prevention of compulsive gambling.

The Corporation agreed to fund, for a three-year period, two projects worth a total $1.11 million for the design and production of two interactive tools for preventing compulsive gambling: a CD-ROM and a video. Created by a team of researchers at McGill University, the CD-ROM will offer an interactive prevention program intended for young players suffering from gambling dependence. The video, produced by the Centre québécois d'excellence pour la prévention et le traitement du jeu, is intended for social-intervention partners in the scholastic community. It will contain the full range of activities in a prevention program designed for Québec students.

In addition, with its commitment to contribute $500,000 a year for five years, Loto-Québec is involved in the upcoming launch of the International Center for the Study, Treatment and Prevention of Youth Gambling Problems. This centre, which will be affiliated with McGill University, has already secured the cooperation of world-renowned experts.

Innovation in the Casinos To make players more aware of the issue of compulsive gambling, we introduced an innovative project intended for the casinos. Two information terminals on the theme *Make sure gambling remains a game* were set up at the Casino de Montréal in December 1999.

This interactive terminal is a preventive tool arising out of a new concept developed by INGENIO. It is animated by a virtual figure who helps players recognize or confirm the way they behave with respect to money games and games of chance. Between December 1, 1999 and March 31, 2000, more than 7,500 people took part in this test.

As soon as it was installed, this innovative terminal won first prize at the fifth Boomerang gala held by *Info Presse* publications, last December. We plan to install two terminals soon at the Casino de Hull, and one at the Casino de Charlevoix.

Improving Existing Tools For the second year in a row, the important program for increasing awareness of gambling dependence, *Count me out*™ (*Moi, je passe*[MC] in its French-language version) was distributed to the 3,300 elementary and secondary schools, French and English, throughout Québec. The overall rate of dissemination within these schools is about 80%. For the coming school year (2000-2001), all the public-awareness material has been revised and improved by Groupe Jeunesse in cooperation with researchers at Laval, McGill and Montréal universities. The program will then be distributed to students from grade 3 to grade 11, reaching nine grades at once.

Loto-Québec continues to finance the telephone support and information line set up in 1993, in cooperation with the Information Referral Centre of Greater Montréal. This bilingual, confidential, free, anonymous service is accessible 24 hours a day, seven days a week. The availability of specialized gambling help personnel increased this year, from 65 to 91 hours a week, every day from 9 a.m. to 10 p.m. The hot line's reputation keeps on growing: the number of calls received in fiscal 1999-2000 totalled 6,671, up 18.8% from the year before.

Loto-Québec renewed its agreement with the Chinese Family Service of Greater Montréal. Our financial assistance enabled this agency to carry out several projects for the prevention of compulsive gambling in the Asian community, including a self-control manual for problem gamblers, published in French, English and Chinese.

The self-exclusion program at our casinos continues to evolve. Over the years, we have made the necessary improvements to ensure that the self-exclusion rules and procedures are ever more efficient and appreciated by players.

SELF-EXCLUSION PROGRAM	MONTRÉAL	HULL	CHARLEVOIX	TOTAL
NUMBER OF SELF-EXCLUSION AGREEMENTS SIGNED				
1993-1994	179	–	–	**179**
1994-1995	658	–	10	**668**
1995-1996	869	–	37	**906**
1996-1997	1,321	452	41	**1,814**
1997-1998	1,484	669	41	**2,194**
1998-1999	1,424	725	50	**2,199**
1999-2000	1,148	722	49	**1,919**
NUMBER OF ACTIVE SELF-EXCLUSION AGREEMENTS				
As at March 31, 1997	579	339	45	**963**
As at March 31, 1998	1,807	623	55	**2,485**
As at March 31, 1999	2,188	845	72	**3,105**
As at March 31, 2000	2,001	967	88	**3,056**
NUMBER OF SELF-EXCLUDED PLAYERS IDENTIFIED				
1997-1998	7,415	2,242	17	**9,674**
1998-1999	7,084	3,212	14	**10,310**
1999-2000	11,008	3,487	34	**14,529**
LENGTH OF ACTIVE SELF-EXCLUSION AGREEMENTS AS AT MARCH 31, 2000				
Less than 6 months	6	16	2	**24**
6 months to 1 year	139	291	16	**446**
1 year to 2 years	382	85	20	**487**
2 years to 3 years	205	45	5	**255**
3 years to 4 years	137	5	4	**146**
4 years to 5 years	1,044	523	33	**1,600**
More than 5 years	88	2	8	**98**
TOTAL	**2,001**	**967**	**88**	**3,056**

A Pioneer and a Leader Our prevention initiatives and activities are of central importance in Québec, and are recognized and emulated beyond our borders. Loto-Québec's expertise in the prevention of compulsive gambling is in regular demand on the international scene. A number of North American lottery organizations have asked us for permission to use or reproduce materials we have created to increase awareness of compulsive gambling. National and international organizations seeking examples and models for preventing compulsive gambling have turned to Loto-Québec countless times for inspiration and information. Specifically, in March 2000, the Suisse Romande lottery organization invited a representative of Loto-Québec's compulsive gambling research and prevention unit to travel to Switzerland to give a presentation on the policy and measures we have developed for the prevention of compulsive gambling.

Partnerships with the private sector are part of Loto-Québec's corporate strategic orientations. In addition to optimizing our performance, along with the effectiveness of our assets and actions, the associations we form with experts in related fields generate invigorating economic spinoffs that are increasingly significant, both for the activity sectors called upon and for Québec as a whole.

THE IMPACT OF OUR VITALITY

... On the Emergence of a New Québec Economy

Creation of a New Company

With the recent creation of a joint venture with CGI, Loto-Québec has taken a giant step in this direction. Dedicated to conquering the world market, this new undertaking which combines the know-how of two world leaders fits into a promising niche for the gaming industry.

In fact, very few firms offer integrated services (consultation, management, development, sale of computer software and technologies) to countries wishing to enter the lottery field or replace their technology with the latest advances.

Loto-Québec, whose reputation for excellence and creativity is firmly established and whose credits include a number of world firsts, is thus merging its know-how with that of a world leader in the development of computer applications as well as the design, implementation and management of integrated systems. On top of its expertise, CGI, which is already active in 26 countries, will make available to the new company its well-established international network and its knowledge of computerized game management.

The creation of a joint venture offers several immediate and long-range benefits, both for Loto-Québec and CGI, and for Québec.

First of all, the new company allows us right away to begin developing and implementing a new game and management system on the leading edge of technology. In the longer term, Loto-Québec and CGI will enjoy the profits stemming from the export of Québec gaming expertise. As well, the new venture will create jobs, provide the employees of Loto-Québec and its subsidiaries with opportunities to share their know-how and offer career potential for Québec skills.

By joining with CGI to open markets that will propel Québec expertise onto the world stage, Loto-Québec is once again placing its vitality and reputation at the service of a new Québec economy based on new technology.

Integration of the Multimedia Industry It was in this spirit that Loto-Québec created its INGENIO subsidiary last year to give new impetus to its research and development sector. In so doing, Loto-Québec established bridges between the multimedia world and the gaming industry, with a view to research, development, marketing and export related to new products.

... On Regional Tourism and Employment

The partnerships we reach with the regional tourist industry, which also focus on optimizing our performance, offer another example of the spinoffs of our vitality on related industries in the private sector.

In the Charlevoix Region The Manoir Richelieu / Casino de Charlevoix resort complex – the product of the consortium formed by Loto-Québec with Canadian Pacific Hotels Corporation and the Québec Federation of Labour's Solidarity Fund – was inaugurated last June 24, after 10 months of intensive efforts totalling 800,000 person-hours.

The redevelopment of the site of the famous Manoir into a vast tourist complex, representing a $145.6-million investment, essentially comprised the expansion of the Casino de Charlevoix, the complete refurbishing of the Manoir Richelieu, the addition of a convention centre, the enhancement of the site's natural features and their development for recreational use.

Beyond the economic impact of the construction and outfitting of this complex (760 workers from some 20 different trades were involved), this world-class resort will generate sizable spinoffs, in both the short and long term, for our gaming establishment as well as for the region's tourist and hotel industry.

Successfully completed on time, the Société des casinos du Québec project depended largely on Casiloc. This subsidiary responsible for building, furnishing and equipping our casinos was jointly responsible, with Canadian Pacific Hotels, for the project's management. The scale of the site and the many constraints associated with it once again brought out the expertise and know-how of the Casiloc team.

In the Outaouais Region Further pursuing our strategic orientations, La Société des casinos du Québec has drawn up an expansion project designed to bolster the competitive position of the Casino de Hull and augment its role as a major partner for the tourist industry in the Outaouais region. This major development project, started up with Québec government approval, will make the Casino de Hull one of country's leading urban resorts. Facilities around the expanded casino will include a hotel, convention centre, theatre and golf course.

The object of the plan, which entails a total investment of $228 million, is to increase gaming supply. The enlarged Casino de Hull should put an end to waiting at peak periods and will feature immediate surroundings enhanced by additional attractions and services in keeping with the needs of its tourist clientele.

This major development, which will create 2,550 direct and indirect jobs during construction, will also mean 550 new jobs once the work is finished.

Some 65% of customers at the Casino de Hull come from outside Québec. More spacious and surrounded by new attractions and hotel facilities that add to the regional supply, the Casino de Hull will not only be able to handle the competition, it will definitely strengthen the impact of its presence on the growth in tourism, by contributing to increasing the number of out-of-province visitors to the region and encouraging them to stay longer.

To carry out this project, Casiloc will have to award a hundred or so contracts following calls for tenders sent out to contractors in Québec and Ontario. The timetable calls for the resort complex to be inaugurated in fall 2001.

...On the International Scene

A key player on the international scene, where it has established its leadership through AILE (the International Association of State Lotteries, which became the World Lottery Association in 1999), Loto-Québec spreads Québec expertise in many ways.

Every year, the diversity of the know-how of Loto-Québec and its subsidiaries attracts delegations of gaming industry representatives from the world over, and gives rise to invitations to present our expertise abroad.

Lotteries, video lotteries, CD lotteries, casinos, on-line bingo, information technology and prevention of compulsive gambling are all fields that sparked interest from foreign lottery organizations in the past year, when Loto-Québec greeted numerous delegations and responded to invitations from a variety of countries.

On the strength of its reputation, Loto-Québec has opened and continues to open up outside markets to the Québec companies associated with its activities.

Two Québec firms crossed international borders with INGENIO in 1999-2000. ZAQ Technologies, a company founded in Montréal in 1995, acted as the official producer of the final version of *Treasure Tower™*, while Sarbakan, a multimedia animation studio in Québec City, produced scripts, sets and characters for this game. These two young companies' association with the production of *Treasure Tower™* is a kind of calling card that will now travel before them wherever they go. And that's not all! To fit into the local colour of the different countries that market our interactive lottery under licence, *Treasure Tower™* must be adapted. This will happen in Québec. Already, INGENIO has called upon local talent to adapt its product to the language and customs of the purchasing countries.

A Dominant Role in the World Lottery Association (WLA) Loto-Québec has always considered it important to maintain a network of connections in the lottery industry. That is the reason why, since 1982, our Vice-President, Corporate Affairs has acted as secretary general of the International Association of State Lotteries (AILE).

This year, AILE merged with another international association, Intertoto, at a special conference held in Oslo, Norway, thus forming a single, large organization, the World Lottery Association (WLA). In addition to breathing fresh life into the lottery industry, the merger enabled the new association to position itself as the industry's central element. By grouping together the forces of two large associations, the WLA is able to establish a real nucleus of international cooperation that affords Loto-Québec an ideal forum for disseminating its expertise throughout the world.

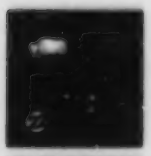
Together with the former Intertoto office, in Switzerland, Loto-Québec maintains the secretariat of the new 200-member association. The operations carried out there are in keeping with the undeniable vitality of the gaming industry around the world.

our Performance

Remarkable Progress

In 1999-2000, total lottery sales reached a new high of $1.768 billion, an increase of nearly 6% over the year before. This better-than-forecast growth, the result of concerted sales and marketing efforts, allows us to assert that the Québec lottery market is in excellent health indeed.

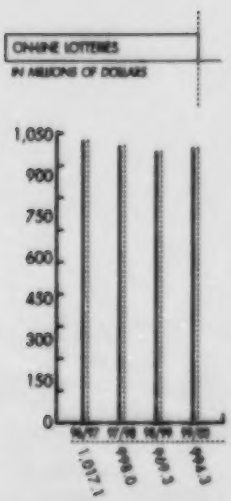
The new orientations laid out for lottery development in the past few years are beginning to bear fruit. The entertainment value added to traditional products is fully in keeping with the expectations of today's consumers. As well, the advertising efforts expended in 1999-2000 reflect our concern for communicating the entertainment and dream values inherent in our various products. Refreshing, spirited messages helped enliven and brighten up consumers' everyday reality by making them laugh, smile and dream all year long.

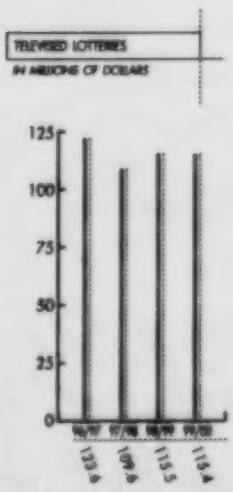


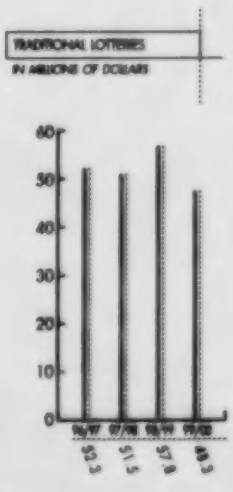
Instant lotteries Since they were launched in 1978, instant lotteries have grown steadily in popularity from year to year. Up once again in 1999-2000, sales of instant lotteries rose by 15.7%. Results for entertainment-type lotteries, including *Loto-Bingo* and *Mots Cachés*, confirm the appeal of this group of products for consumers hoping for instant wins but, above all, seeking the pleasure of playing.

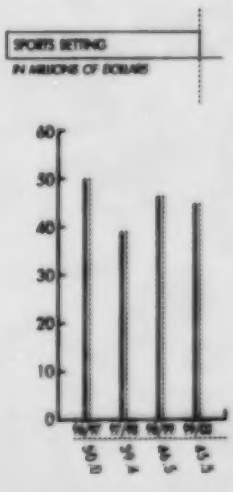
CD lotteries In 1999-2000, a new type of game was added to the lottery market: the CD lottery created by our subsidiary INGENIO. This multimedia product, which combines the appeal of instant lotteries with that of video games, is a world first. Launched in February 2000, the CD lottery represents a significant development that will enable us to reach new consumers.

Televised lotteries *La Poule aux œufs d'or*, in its seventh season, led sales of televised lotteries. A new televised lottery, *La Lampe magique*, launched in September 1999, also yielded very positive results. With $300,000 in prize money handed out each week, *La Lampe magique* was successful in attracting customers and entertaining its audience.









On-line lotteries This lottery category is still the largest and most important. Although it feels the crossover effects of our other games, *Lotto 6/49* remains our flagship. Unquestionably the most popular of all our products, it alone accounts for more than 26% of sales. *Super 7*, for its part, continues to gain ground in the Québec lottery sector, posting the largest increase in sales: a 23.7% leap.

Traditional lotteries Launched in January 1999 to celebrate the arrival of the year 2000, the *Méga Millions 2000* lottery recorded total sales of $44 million. The final draw took place on January 9, 2000, as part of a super show on which *Méga Millions 2000* created five millionaires, on live television.

Betting on sporting events Sports betting sales held steady, despite the risk management measures we instituted at the start of the year. Two major factors contributed to this solid performance: the return of international soccer and a new, more promotional communication approach.

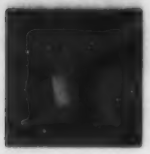
	SALES IN THOUSANDS OF DOLLARS		% CHANGE	PRIZES AWARDED IN THOUSANDS OF DOLLARS		% CHANGE
	1999-2000	1998-1999		1999-2000	1998-1999	
ON-LINE LOTTERIES						
Lotto 6/49	465,440	486,733	-4.4%	218,771	228,780	-4.4%
Super 7	189,694	153,412	23.7%	106,654	89,146	19.6%
Québec 49	61,909	58,582	5.7%	29,098	27,534	5.7%
Extra	142,882	135,237	5.7%	63,799	60,386	5.7%
Banco	109,863	111,241	-1.2%	53,835	54,512	-1.2%
La Quotidienne	24,514	24,050	1.9%	11,032	10,822	1.9%
SUBTOTAL	**994,302**	**969,255**	**2.6%**	**483,189**	**471,180**	**2.5%**
INSTANT LOTTERIES						
Regular and entertainment-type	554,809	479,623	15.7%	303,888	262,745	15.7%
CD lottery	9,883	-	-	5,188	-	-
SUBTOTAL	**564,692**	**479,623**	**17.7%**	**309,076**	**262,745**	**17.6%**
TELEVISED LOTTERIES						
Instant televised lotteries	69,193	67,099	3.1%	42,014	40,957	2.6%
Teleactive games	46,168	48,352	-4.5%	28,093	27,359	2.7%
SUBTOTAL	**115,361**	**115,451**	**-0.1%**	**70,107**	**68,316**	**2.6%**
TRADITIONAL LOTTERIES						
Mini	16,852	15,513	8.6%	7,416	6,826	8.6%
Special editions	31,495	42,273	-25.5%	15,697	22,184	-29.2%
SUBTOTAL	**48,347**	**57,786**	**-16.3%**	**23,113**	**29,010**	**-20.3%**
SPORTS BETTING	45,522	46,510	-2.1%	28,267	27,904	1.3%
TOTAL	**1,768,224**	**1,668,625**	**6.0%**	**913,752**	**859,155**	**6.4%**

The Retailer Network: Sales Structure

With total sales of over $1.768 billion, the 11,450 points of sale in the retailer network gave convincing proof of their vitality and effectiveness. Up nearly 6% from the previous year, and 12.27% compared with the corporate objective, sales considerably exceeded expectations, setting a new record. The commissions paid by Loto-Québec to its retailers, in proportion to the increase in sales, also hit a new high of $121.3 million.

Non-profit organizations (NPOs), Loto-Québec's long-standing partners responsible for sales of Lotomatique subscriptions and kiosk management, generated sales of $133 million and were paid $9.4 million in commissions.

Anticipating the appeal of the redesigned Lotomatique product offering more lotteries and packages starting April 10, 2000, we invited new organizations to take advantage of the sale of subscriptions to increase their revenues. As a result, the number of NPOs associated with our sales force rose to 917 in the past several months, including the 85 organizations that operate 132 Loto-Québec kiosks in shopping centres. Over the year, we thus laid the groundwork for increasing the NPOs' revenue potential.



Technological Innovations The updating of the 8,250 or so terminals is proceeding. As of March 31, 2000, more than 6,400 terminals had been replaced by the new V3000 equipment. This large-scale operation provided strong support for the sales efforts of retailers and their personnel, by facilitating daily operations and opening up new sales opportunities.

These fifth-generation terminals, which are equipped with touch-sensitive screens and electronic displays, were greeted with enthusiasm because they are so easy to use. The training involved in the installation of the V3000s enabled us to refresh the lottery skills of some 12,500 people – an average of two representatives per point of sale.

Counting, as ever, on technological innovation, in October 1999 we launched a market test of Loto Direct, a project intended to equip businesses that use multiple cash registers with peripherals allowing on-line lottery sales. Depending on the results, we will evaluate the possibility of extending Loto Direct access to more retailers.

The year concluded with a resounding world first: the marketing of a brand-new type of instant lottery on CD-ROM. The launch of this product, *Treasure Tower*™, called for the participation of the entire sales force, both to inform retailers and to motivate them to sell this innovative game. This additional personal contact afforded us a new opportunity to strengthen our ties with our business partners, who form one of the most extensive distribution networks in Québec.

COMMISSIONS TO RETAILERS	IN MILLIONS OF DOLLARS
1995-1996	104.6
1996-1997	104.8
1997-1998	107.7
1998-1999	114.0
1999-2000	121.3

DISTRIBUTION OF RETAILERS AND TERMINALS BY REGIONAL OFFICE AS AT MARCH 31, 2000	NUMBER OF RETAILERS	%	NUMBER OF TERMINALS	%
Montréal and Northwestern Québec	3,909	34.1	2,885	35.0
Montréal and Southeastern Québec	3,681	32.2	2,586	31.4
Québec City and Eastern Québec	3,860	33.7	2,775	33.6
TOTAL	**11,450**	**100.0**	**8,246**	**100.0**

DISTRIBUTION OF RETAILERS BY BUSINESS CATEGORY AS AT MARCH 31, 2000	NUMBER	%
Tobacconists and convenience stores	5,266	46.0
Grocery stores	2,111	18.4
Financial institutions	1,051	9.2
Other service outlets	1,676	14.6
Drugstores	768	6.7
Other commercial outlets	345	3.0
Travelling salespeople	90	0.8
Kiosks	143	1.3
TOTAL	**11,450**	**100.0**

With total revenues of $683.5 million ($50 million more than the preceding year) and attendance that held steady at 10 million visitors, La Société des casinos du Québec inc. (SCQ) recorded a solid financial performance for fiscal 1999-2000, coupled with large-scale undertakings and growth-generating projects.

Our casinos, which are key partners of the Québec tourist industry, continue to grow in symbiosis with their environment. The centrepiece of the impressive resort complex inaugurated in June 1999, the Casino de Charlevoix tripled its gaming area, while in the Outaouais area, the Casino de Hull is in the process of expanding to become the hub of a major urban tourist centre.

The Casino de Hull reached a pinnacle of world visibility with *Harmonie 2000*, a show that ranked among the most prestigious festivities celebrating the transition to the year 2000. On top of the 30,000 or so people who witnessed the spectacle in person on December 31, millions of television viewers the world over were able to see highlights of this multimedia extravaganza.

The night of December 31, 1999 also bore out the success of our efforts to ensure that all of the SCQ's computerized equipment made a smooth changeover to Y2K.

Under the heading of innovations, the SCQ developed and instituted the *Casino Privilèges* program. Like players at the gaming tables, slot machine players at our casinos now enjoy a computerized customer appreciation program. Introduced into our three casinos, one at a time, in January and February 2000, the *Casino Privilèges* program was quickly taken up by customers, as tens of thousands of slot machine players registered for it in the space of a few weeks.

In its concern to maintain the excellence of its service, the SCQ devised and adopted a new tool for continuous improvement of customer service, *Casino +*. The product of a lengthy team effort, in close cooperation with the Human Resources corporate unit, *Casino +* is a training program that was provided to all employees in the casino sector between September 1999 and March 2000. The *Casino +* approach to service quality is another factor in the outstanding customer service that favourably distinguishes our gaming establishments from those of the competition.

In the immediate future, our main challenge is to meet both our customers' needs and our financial objectives. To this end, we plan to pursue and intensify our efforts to rationalize operations at our three casinos.

Casino de Montréal Over the fiscal year, the Casino de Montréal greeted six million visitors and generated gross revenues of $454 million, up 10% from 1998-1999, when a labour dispute paralysed our operations for six weeks.

The past year saw extensive improvements at the casino, including a reorganization of gaming areas on the 1st and 3rd floors to add to the conviviality of the ambience, and the introduction of a new buffet concept that allowed more functional service areas at the restaurant *La bonne carte*.

The success of the *Cabaret* at the Casino de Montréal demonstrated once again this year that this theatre forms a natural complement to the other types of entertainment the casino offers. With the addition of matinee shows, increasingly popular with groups, the *Cabaret* drew more than 117,000 spectators. Credit for this attendance record goes largely to the appeal of the programming which featured such productions as *Danse-Sing, Du Rock à l'Opéra* and *Country 2000*. It is noteworthy that all productions presented at the *Cabaret* in 1999-2000 had 100% Québec content, from the creative and production team to the artists and musicians.

Casino de Charlevoix Carrying right on with its operations despite the construction in progress during part of fiscal 1999-2000, the Casino de Charlevoix welcomed a million visitors and generated gross revenues of $35.4 million, a 16.9% increase over the previous year. On June 24, 1999, the Casino de Charlevoix celebrated its 5th anniversary with a bang, on the very same day as the inauguration of the prestigious Manoir Richelieu / Casino de Charlevoix complex. The expanded Casino de Charlevoix is ready to host a new clientele, namely customers of the Canadian Pacific international hotel chain who will be attracted to the new resort complex.

Casino de Hull Despite the competition resulting from the installation of slot machines at the nearby Ontario racetrack, the Casino de Hull posted gross revenues of $194 million, up 2% over 1998-1999. Still one of the region's prime tourist attractions, the Casino de Hull greeted more than 3 million visitors, 65% of them from outside Québec.

Resolutely committed to strengthening the Casino de Hull's competitive position, the SCQ has drawn up a plan for expansion that will be carried out in fiscal 2000-2001, at a cost of $228 million. This major project mainly involves enlarging the casino, building a 350-room hotel, a convention and meeting centre that can accommodate 1,800 people and a 1,050-seat theatre, and laying out a championship-calibre golf course.

In 1999-2000, Québec's casinos generated $90.1 million in tourism spinoffs, employed 5,210 people, 65% of them aged 34 or under, and offered career opportunities to a large number of young employees (the average age of casino management personnel is 36).

ATTENDANCE AND REVENUES AT THE MONTRÉAL, HULL AND CHARLEVOIX CASINOS	FISCAL 1999-2000[1]			
	CASINO DE MONTRÉAL	CASINO DE HULL	CASINO DE CHARLEVOIX	TOTAL
	Number of visitors in thousands	Number of visitors in thousands	Number of visitors in thousands	Number of visitors in thousands
MARKET				
Local clientele	4,965.5	644.0	84.7	5,694.2
Tourist clientele[2] from Québec	579.3	433.5	888.1	1,900.9
Tourist clientele from outside Québec	366.5	2,063.9	23.9	2,454.3
TOTAL	5,911.3	3,141.4	996.7	10,049.4
	In millions of dollars	In millions of dollars	In millions of dollars	In millions of dollars
CONTRIBUTION TO GAMING REVENUES[3]				
Local and tourist clientele from Québec	422.2	58.9	35.0	516.1
Tourist clientele from outside Québec	31.9	135.1	0.4	167.4
TOTAL	454.1	194.0	35.4	683.5
	In millions of dollars	In millions of dollars	In millions of dollars	In millions of dollars
CONTRIBUTION TO TOURIST BALANCE[4] (DIRECT EXPENDITURES OTHER THAN GAMING)				
Tourist clientele from Québec	14.2	4.1	23.1	41.4
Tourist clientele from outside Québec	20.7	27.8	0.2	48.7
TOTAL	34.9	31.9	23.3	90.1

(1) Attendance and revenue data cover the period from April 1, 1999 to March 31, 2000.
(2) Clientele from more than 80 km from the casino (as per Statistics Canada definition).
(3) Based on data from the marketing plan 1999-2000, Société des casinos du Québec inc., and 1999-2000 attendance figures.
(4) Based on the hypotheses of the study of economic spinoffs of the SCQ by Yves Rabeau, published in September 1997.

Stars... Diamonds... Gold...

Crowned with stars, diamonds and gold, fiscal 1999-2000 was a year full of energy and visibility for Resto-Casino inc. This subsidiary responsible for managing our casinos' bars and restaurants registered gross revenues of $66.6 million, an increase of 18.8% compared with the previous year.

Recognized nationally and internationally for its excellence, Resto-Casino hosted celebrated chefs once again this year in our Hull and Montréal establishments. Guest chefs Pierre Schaeddlin, of New York, Thierry Breton, of Paris, and Michael Chipchase, of California, in turn, graced our restaurants *Nuances* and *Le Baccara* with their talent and prestige. The *Nuances* restaurant enjoyed the further honour of a second visit from the renowned Paul Bocuse, from just outside Lyon in France.

In the past year, the SCQ's restaurants were the recipients of an unprecedented number of laurels. The *Nuances* restaurant at the Casino de Montréal, Canada's only restaurant given five stars by the American *Mobil Travel Guide*, retained its ranking for the fifth consecutive year. *Nuances* is also listed among the country's top hundred restaurants in Air Canada's *enRoute* guide, and, along with the Casino de Hull's restaurant *Le Baccara*, achieved four-diamond rating in the *CAA TourBook*. In addition, in the regional galas for the Québec Grand Prix tourism awards, our two restaurants won the *Prix du développement de la restauration* and the *Prix de la gastronomie*, respectively.

On top of these distinctions, credit for which is shared by all Resto-Casino employees, we must note the personal contribution made by those who participated, on their own or in teams, in various national and international events and carried off top honours, including the *Médaille d'or* and the *Coupe du Canada* at the international *Coupe des nations* competition held in Québec City.

Revenues of La Société des loteries vidéo du Québec inc. (SLVQ) rose 20.9% to reach $928.4 million, at March 31, 2000, for net income of $553.8 million, 24.7% more than in 1998-1999. These results, up for the sixth year in a row, increase the SLVQ's contribution to the net income of Loto-Québec from 36.9% to 41.8% for fiscal 1999-2000.

This outstanding growth is largely attributable to efforts expended to maximize product performance and maintain strict management of the video lottery terminal network, along with the mounting popularity of this entertainment.

A partner of the private sector, the SLVQ renewed six of its 10 contracts during the year with companies that do an excellent job of looking after most of its day-to-day operations in all regions of Québec.

At the end of fiscal 1999-2000, the SLVQ was operating 15,221 terminals in 4,141 establishments.

An Evolving Product Always on the lookout for new technological developments that can be applied to video lotteries, the SLVQ plans to begin replacing the terminals in its network in 2000-2001, in a project intended to maintain the company's profitability in the short and medium term. Based on advanced technologies, the new equipment will allow us to offer a dynamic product, focusing more on entertainment and better fitted to consumers' needs.

In 1999-2000, we already launched some new games more in keeping with consumers' changing tastes. These games had an immediate impact, both on our profitability and on customer satisfaction.

The transition to the year 2000, a major concern that mobilized SLVQ experts, proceeded without a hitch, thanks to the new computerized management system we set up early in the year. In the current year, we will complete implementation of the program for an overhaul of our computer system, a measure designed to increase reliability and ensure the continuity of our operations.

Listening to Our Customers Quality is inherent in everything we do. Since it was first established, the SLVQ has made ever increasing efforts to ensure that all its employees and partners offer its customers top-quality service.

To better understand these customers, the SLVQ conducted a second survey this year, of 2,005 French and English-speaking adults in Québec. The survey results reveal, among other things, that 10.7% of adult Quebecers (compared with 8.5% in 1997) had played video lottery games in the previous 12 months. Such growth in the competitive entertainment market speaks for itself.

The video lottery player's profile is much the same as in 1997. The typical player is a 37-year-old male, with an annual family income of $39,500. He plays video lottery games twice a month, for a little over an hour each time, and spends $52 per game period.

The Impact of Our Expertise Demonstrating its leadership once again, the SLVQ was the organizer and host of the 1999 annual meeting of the Electronic Gaming Group. Since it was founded, the SLVQ has headed up this organization whose members, from seven provinces in Canada and the State of Oregon, meet and talk regularly.

Our Social Responsibility The notion of social responsibility is an integral part of our mission. From the start of its operations, the SLVQ has been committed to promoting responsible use of its products. In this regard, the SLVQ works in close cooperation with Loto-Québec's compulsive gambling research and prevention unit to develop new public-awareness tools designed to encourage its partners to join in the effort.

VIDEO LOTTERIES	AS AT MARCH 31, 2000
Number of sites	4,141
Number of terminals	15,221
Average number of terminals per establishment	3.6
Number of adult inhabitants per terminal	356

REVENUES AND COMMISSIONS	in millions of dollars
Money inserted	3,905.4
Money cashed out	2,977.0
Revenue	928.4
Net income	553.8
Commissions to retailers	278.5

DISTRIBUTION OF SITES AND TERMINALS BY REGION	Number of sites	Number of terminals
Laval/Lanaudière/Laurentians	591	2,273
Montréal	981	4,301
Québec City/Chaudière/Appalaches	549	1,812
Mauricie/Bois-Francs	345	1,145
Estrie	283	992
Saguenay/Lac Saint-Jean/North Shore	283	874
Lower St. Lawrence/Gaspé/Îles-de-la-Madeleine	223	632
Abitibi/Northern Québec	155	513
Montérégie	505	1,850
Outaouais	226	829
TOTAL	**4,141**	**15,221**

At the end of its second year of operating a network of 168 halls, La Société des bingos du Québec inc. (SBQ) posted sales of $40.4 million and operating income of $12.3 million, before the non-profit organizations (NPOs) received their share.

Created to revitalize the bingo sector for the benefit of these organizations, the SBQ is bound by regulation to distribute at least 50% of its profits to participating NPOs.

Altogether, for the year ended March 31, 2000, the SBQ redistributed more than $9 million (73% of its operating income) to the 1,231 NPOs concerned. A total of $8.067 million went to the 758 organizations whose bingo games are held in halls connected to the network, while $975,000 was apportioned among the 473 organizations that do not have the necessary facilities to participate in on-line bingo.

In accordance with their marketing objectives, the SBQ's on-line products contributed to increased sales in the bingo sector and, above all, to greater revenues for non-profit organizations. These results confirm the quality and effectiveness of the SBQ's initiatives, particularly in its second year of operations in a stable market.

Product Enhancement In 1999-2000, the SBQ took a number of initiatives to energize the bingo sector in Québec. It expanded its line of products, taking care to adapt them to customers' preferences and expectations, and initiated original promotional activities that revitalized bingo events and helped sustain sales.

In June 1999, for example, the SBQ added a new feature to the evening bingo game *Le Grand Tour – Le Tour du Mille*, which involves completing a specific figure or shape before the full-card game – as well as a progressive JACKPOT. This new formula proved very successful financially: at the end of the quarter following the launch of the JACKPOT, average sales per event were up 12% over the preceding quarter.

PRINCIPAL COMMERCIAL RESULTS	APRIL 1, 1999 TO MARCH 31, 2000					
REGION	Average number of participating halls	Number of events	Average number of participating organizations	Net sales	Operators' commissions	Amount distributed to participating organizations
Lower St. Lawrence	8	1,171	41	$ 581,235	$ 27,012	$ 115,979
Québec City/Chaudière-Appalaches/North Shore	23	5,216	113	5,413,991	299,395	1,080,029
Saguenay/Lac-Saint-Jean	9	1,163	32	1,019,480	50,088	203,497
Mauricie/Bois-Francs	12	1,884	41	2,269,591	124,054	452,791
Estrie	5	774	20	933,506	49,022	186,193
Montérégie	24	5,228	112	7,177,240	393,795	1,431,819
Montréal	35	8,361	183	10,527,373	599,677	2,100,505
Abitibi/Témiscamingue	8	1,122	23	956,247	50,229	190,766
Outaouais	6	1,310	31	1,223,603	66,241	244,355
Laval/Laurentians/Lanaudière	31	7,198	145	9,608,999	531,701	1,916,950
Gaspé	7	825	17	722,103	28,552	144,038
TOTAL	168	34,252	758	$40,433,368	$2,219,766	$8,066,922
Non-participating organizations						$ 974,682
Grand total of amounts distributed to non-profit organizations						$9,041,604

To carry on this momentum, the SBQ introduced *Le Petit Tour* in September 1999. This new product, which replaced *Défi 51* in the afternoon, has a different prize structure and increases the chances of winning with the same card. As in the evening game, *Le Petit Tour* offers a progressive JACKPOT and a shape game.

Also with a view to improving NPOs' financing capability by energizing on-line products, the SBQ added *Éclair* in November 1999. This optional, Keno-type game is an innovative product especially well suited to bingo playing. Since it was introduced last November, *Éclair* has registered an average participation rate of 52% and sales of $2.5 million.

At the same time, in an effort to promote bingo in Québec, increase awareness of the network of participating halls and expand the sector's customer base, the SBQ carried out major promotional activities in cooperation with its main partners. The very popular televised contests *BINGO 2000 EN DIRECT*, broadcast in February and March 1999, and *Bingo Y'a plein d'soleil*, held last December, are two such operations.

In addition, during the summer, the SBQ presented *BINGO SHOW II*, a series of lively, fun-filled shows. *BINGO SHOW II* toured 24 halls in 15 regions of Québec, where it entertained more than 9,000 people. During these events, 72% more customers visited these halls, and on-line bingo sales went up 103%.

Communications and Public Relations The SBQ's Web site is full of practical information. It lists all participating halls and promotional activities, and provides explanations of how the games work. In addition, for the past few months Internet users have been able to pass on their questions and comments with the assurance of a fast, courteous response. This innovation is one of the steps taken by the SBQ to be constantly attuned to customers' expectations and disseminate useful information by the best available means of communication.

In the same spirit, the SBQ puts out two regular publications: *BINGO!* and *Réseau*. With a circulation of 95,000, *BINGO!* is intended for bingo fans and has been distributed monthly since May 1998 to all halls connected to the network. *Réseau*, a newsletter published four times a year with a circulation of 1,800, supplies NPOs with relevant information on the bingo sector in Québec.

In the past fiscal year, the SBQ paid particular attention to the concerns and comments of all stakeholders in the bingo industry. To meet and talk with bingo hall operators and NPO representatives, it therefore conducted a tour in May and June 1999 that took it to a dozen or so regions of Québec and that will be repeated this year. These meetings were ideal opportunities for discussing and listening to the needs. As well, the SBQ this year offered industry stakeholders a program of promotional support to highlight certain special events.

All these initiatives, throughout the past year, contributed to increasing the popularity of bingo in Québec and to providing the bingo industry with a firmer business foundation. Pursuing its efforts in this direction, the SBQ continues to develop approaches likely to interest new groups of customers in this constantly changing sector.

Before even wrapping up its first full year of operations, the latest of our subsidiaries, INGENIO, became a focal point of the world gaming industry.

In February 2000, in fact, INGENIO launched the world's first instant CD lottery, *Treasure Tower™*, a fascinating, unique lottery that has sparked great enthusiasm.

Established in December 1998 to develop, operate and market interactive games geared towards multimedia entertainment, while retaining ownership rights, INGENIO is a kind of laboratory whose innovations in 3D imagery and animation are revitalizing and updating the world of traditional lotteries.

This growth and impact are all the more impressive since the new subsidiary has developed away from the beaten paths. Born of the complementary talents of a young, inquisitive team, INGENIO features an innovative working set-up, sophisticated research techniques and a new type of business policy.

A Treasure of Ingenuity With its creation *Treasure Tower™*, INGENIO has established a new bridge between traditional lotteries and multimedia entertainment. The lottery industry sees infinite possibilities and a brand-new direction in this instant interactive lottery, which is a perfect, natural partner for new technologies.

Much more than a mere computer game, *Treasure Tower™* is a lively world of animation that captures the interest of multimedia aficionados and neophytes alike. It offers a game ambience in which cash prizes along the way cap the pleasure of playing. It is also a showcase demonstrating that instant lotteries can evolve and break new ground.

Treasure Tower™ and the coming CD lotteries to be launched by INGENIO are the central focus of a business strategy that guarantees promising growth and assured profitability. Belgium and Switzerland have already signed agreements to import *Treasure Tower™*, and several American states are preparing to follow suit.

Designed for distribution on the international market, the *Treasure Tower™* lottery enjoys the key advantage of being adaptable to the specific characteristics of local clienteles and integrating smoothly into existing distribution systems and networks in different countries around the world.

Greater Presence for Increased Growth The international presence of *Treasure Tower™* positions INGENIO as a leader in innovation in the field of multimedia money games and games of chance.

Treasure Tower™ was barely off the starting blocks when it earned INGENIO the first *SMART-Ideas* award, new technology product category, presented at the *SMART-Tech 2000* conference in New Orleans. All participating lottery organizations voted in favour, giving their unanimous support to the CD lottery. INGENIO was the only non-American organization entered in the competition.

More Than One *Tower* in Its Bag of Tricks! While devoting its efforts to developing and marketing the CD lottery, the INGENIO team was also busy working on other projects. In the third quarter of fiscal 1999-2000, INGENIO delivered to the Casino de Montréal its first interactive multimedia information terminal on compulsive gambling.

This project, carried out in cooperation with Loto-Québec's compulsive gambling research and prevention unit, gave INGENIO yet another chance to distinguish itself when it won first prize at the Boomerang gala of *Info Presse* publications, in the outstanding information terminal category.

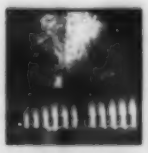
Internet: Planning Change For the gaming industry, the Internet represents both an opportunity to be seized and a major challenge. The Internet calls for extensive rethinking of the business dynamics that have prevailed for many years in Loto-Québec's markets. INGENIO is therefore continually monitoring trends, avenues and developments known today and anticipated tomorrow. Our experts are working to determine the necessary technological infrastructures in order to have in hand, when the time is right, the solutions enabling Loto-Québec to join the Internet with complete security and with the integrity our industry requires.

CASILOC INC.

Equal to Our Expansion

Casiloc, Loto-Québec's subsidiary responsible for construction, acquisitions of furnishings and equipment, and the rental of sites for state-run casinos, had a particularly busy year in 1999-2000.

It had only just completed, right on time, the project that has made our Casino de Charlevoix the nucleus of a major resort complex, when Casiloc broke ground for the work that will turn the Casino de Hull into the focal point of the largest urban resort in Canada. Begun in November 1999, construction of this $228-million complex will proceed throughout fiscal 2000-2001.



A Corporate Complex in Montréal **Also in charge of carrying out major corporate projects, Casiloc is the project manager of the multipurpose complex, announced in November 1999, to be built at the corner of Mill and Bridge streets in Montréal. This warehouse/office complex will house Loto-Québec and Casino de Montréal services currently scattered in several locations and will accommodate some 300 employees altogether.**

On top of its vast storage areas, the new structure provides space for archives, offices, training facilities, a cafeteria and a daycare for 80 children. This daycare centre for the use of Casino de Montréal employees will be open 24 hours a day.

Work on the multipurpose complex got under way in the last quarter of fiscal 1999-2000 and is scheduled for completion in September 2000, when the building will be officially inaugurated.

LOTIM INC.

A Rebound in Real Estate

Our subsidiary Lotim inc. is a 50/50 co-owner with SITQ Bureaux inc. of the building that houses the head office of Loto-Québec at 500 Sherbrooke Street West in Montréal.

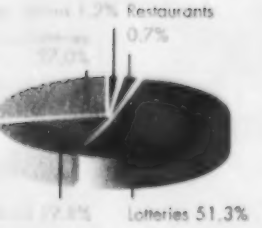
Reflecting the overall situation in the real estate market, the building showed a high vacancy rate for several years. With the economic upturn, and more specifically the renewed strength in commercial and residential real estate, the vacancy rate fell sharply in 1998 and 1999. At the end of fiscal 1999-2000, fewer than 1% of space in the building was vacant.

The property's net operating income was consequently higher than anticipated: $3.229 million compared with the target of $2.38 million set at the beginning of the fiscal year.

The improvement in the building's occupancy rate also had a positive impact on commercial tenants' operations, which benefited from increased customer patronage and higher sales. Overall, the building's performance in fiscal 1999-2000 was excellent.

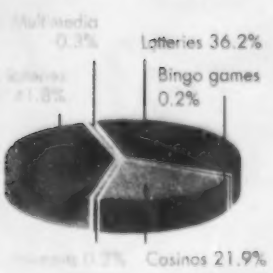
For the fiscal year ended March 31, 2000, Loto-Québec once again registered an outstanding performance. **Consolidated revenues** reached a new high of $3.4 billion, an increase of $313.9 million or 10% over the preceding year. The video lottery and traditional lottery sectors accounted for most of the increase in sales. **Consolidated net income** totalled $1.3 billion, up 10.3% from fiscal 1998-1999. For the first time, the video lottery sector exceeded traditional lotteries in net income generated.

Revenue and Gross Profit by Sector With revenue of $1.8 billion, 6% more than in 1998-1999, **the lottery sector** continued to make the largest contribution to the Corporation's sales figure. This is an excellent result for a mature sector exposed to increasingly strong competition from other money games and games of chance. Instant lottery products and *Super 7* made the most significant progress. Net income from the **lottery sector** amounted to $702.7 million, an increase of 4.9% over last year. Altogether, $913.8 million was distributed in prizes to winners, and $121.3 million in commissions to retailers.



The **casino sector**, for its part, generated revenues of $683.5 million, up 7.9%. The Montréal, Charlevoix and Hull casinos posted respective increases of 9.9%, 16.9% and 2% in their sales, in a reflection of each establishment's specific situation. The Casino de Montréal, for example, was affected in 1998-1999 by a 42-day work stoppage. At the Casino de Charlevoix, the number of slot machines rose from 310 to 780 as of June 24, 1999, following its expansion. And the Casino de Hull has had to meet the challenge, since February 2000, of the arrival of a direct competitor operating 1,250 slot machines in the Ottawa-Carleton region.

With total revenue of $66.6 million, the **restaurant sector** saw its sales rise by $10.5 million, an increase of 18.8% compared with the previous fiscal year.



The steadily growing **video lottery sector** ended the year with a 20.9% increase in sales. At March 31, 2000, more than 15,200 terminals were in operation in over 4,100 establishments in the different regions of Québec, approximately the same number as in March 1999. The video lotteries' performance stems from the full effect of the installation of electronic bill acceptors on the terminals, the revitalization of popular games and the revamping of some of the terminals. For fiscal 1999-2000, revenues from this gaming sector totalled $928.4 million. Commissions paid to merchants who operate our equipment on their business premises came to $278.5 million.

The **bingo sector** recorded revenues of $40.4 million, down 2% from the previous year. La Société des bingos du Québec inc. distributed $18.3 million in prizes to winners, and $2.2 million in commissions to hall operators.

The **multimedia sector** reported its first revenues in the last quarter of the fiscal year, with royalties of some $323,000, as INGENIO, filiale de Loto-Québec inc., delivered the master disk for the world's first CD lottery, *Treasure Tower™*, to Loto-Québec in February 2000.

Operating Expenses Up 11.2% over the previous year, operating expenses totalled $601.4 million, which corresponds to 17.5% of the Corporation's total sales. This increase reflects a number of projects. First, all of the company's activity sectors carried on their efforts to ensure that our computer systems made a smooth transition to the year 2000. In the lottery sector, the year saw a larger amount paid in corporate sponsorships and subsidies, the launch of the CD lottery, the installation of new game terminals and the restructuring of the lottery game distribution network. For the casino sector, notable events included the application of new collective agreements, the gratuities paid to players, and the publicity and promotional programs. Finally, the replacement of the video lottery computer centre and the first year of operations of the multimedia sector are further factors that added to operating expenses.

Other Items Other items totalled $130.3 million, up $10 million or 8.3% compared with the year before. Consumer taxes (GST and QST) account for most of this increase. This item also includes special contributions of more than $9 million which the bingo sector paid to non-profit organizations out of its operating income.

Contributions to Governments Loto-Québec's contribution in the form of dividends to the Minister of Finance amounted to $1.251 billion. In addition, it paid the Québec government $36.6 million in various designated funds, and $81.6 million to the Minister of Revenue in tax on capital and Québec Sales Tax (QST). Contributions paid to the Québec government consequently totalled more than $1.369 billion. The Corporation also paid the Canadian government $13.2 million as compensation for its withdrawal from the lottery sector, and $68 million in Goods and Services Tax (GST).

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Management Report

The Board of Directors is responsible for the consolidated financial statements drawn up for the shareholder. It delegates responsibility for preparing them to senior management, while the Audit Committee reviews them.

Management has a system of internal controls to ensure that the financial statements are reliable, and Internal Audit monitors the system to ensure it works properly.

The consolidated financial statements are prepared according to generally accepted accounting principles which, in certain cases, require judgments on the part of management. The financial information contained in the rest of the annual report corresponds to the information given in the financial statements.

By law, the Auditor General of Québec audits the books and accounts of Loto-Québec. The Audit Committee and the Auditor General meet with management to discuss questions pertaining to the audit and to the consolidated financial statements. Audit Committee members have no link to Loto-Québec other than as directors.

Upon the recommendation of the Audit Committee, the Board of Directors has approved the consolidated financial statements of Loto-Québec for the fiscal year ended March 31, 2000.

Michel Crête
Chairman of the Board and
Chief Executive Officer

Gérald Houle, CMA
Corporate Vice-President
Finance and Administration

Montréal, May 26, 2000

Auditor's Report

To the Minister of State for Economy and Finance,

I have audited the consolidated balance sheet of Loto-Québec as at March 31, 2000 and the consolidated statements of income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of Loto-Québec's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. These standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present, in all material aspects, the financial position of Loto-Québec as at March 31, 2000, and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting principles. As required by the *Auditor General Act* (R.S.Q., chapter V-5.01), I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Guy Breton, FCA
Auditor General of Québec

Québec City, May 26, 2000

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED MARCH 31, 2000

	2000	1999
	(in thousands of dollars)	
REVENUE	**3,444,225**	3,130,279
COST OF SALES (NOTE 3)	**1,386,745**	1,267,637
GROSS PROFIT	**2,057,480**	1,862,642
OPERATING EXPENSES		
OPERATING EXPENDITURES	**527,214**	456,759
DEPRECIATION OF FIXED ASSETS	**68,044**	74,451
DEPRECIATION OF DEFERRED CHARGES	**308**	4,386
INTEREST - NET (NOTE 4)	**5,863**	4,796
	601,429	540,392
INCOME BEFORE THE FOLLOWING ITEMS	**1,456,051**	1,322,250
SPECIAL PAYMENTS (NOTE 5)	**25,792**	25,296
GOODS AND SERVICES TAX	**48,638**	44,139
QUÉBEC SALES TAX	**55,830**	50,812
	130,260	120,247
NET INCOME	**1,325,791**	1,202,003

SEGMENTED INFORMATION (NOTE 19)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED MARCH 31, 2000

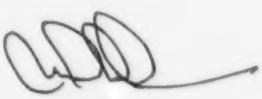
	2000	1999
	(in thousands of dollars)	
BALANCE AT BEGINNING OF YEAR	**94,225**	89,823
NET INCOME	**1,325,791**	1,202,003
	1,420,016	1,291,826
DIVIDENDS	**(1,251,000)**	(1,162,000)
FONDS D'AIDE À L'ACTION COMMUNAUTAIRE AUTONOME (NOTE 6)	**(16,348)**	(17,133)
CONTRIBUTIONS TO THE QUÉBEC GOVERNMENT (NOTE 7)	**(20,240)**	(18,468)
	(1,287,588)	(1,197,601)
BALANCE AT END OF YEAR	**132,428**	94,225

CONSOLIDATED BALANCE SHEET

	AS AT MARCH 31, 2000	
	2000	1999
	(in thousands of dollars)	
ASSETS		
CURRENT		
CASH ON HAND - CASINOS	**28,686**	25,960
CASH ON HAND	**26,979**	11,549
ACCOUNTS RECEIVABLE (NOTE 8)	**53,468**	51,086
INVENTORY (NOTE 9)	**7,925**	8,501
PREPAID EXPENSES	**17,987**	33,591
	135,045	130,687
INVESTMENT	**35,417**	18,839
FIXED ASSETS (NOTE 10)	**470,764**	405,657
PATENTS	**926**	911
DEFERRED CHARGES	**923**	1,231
	643,075	557,325
LIABILITIES		
CURRENT		
BANK LOANS (NOTE 11)	**247,923**	196,649
PRIZES PAYABLE	**41,774**	35,150
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (NOTE 12)	**165,324**	156,036
PROVISIONS RELATED TO PRIZES (NOTE 13)	**39,238**	38,325
DEFERRED INCOME	**16,218**	36,770
	510,477	462,930
SHAREHOLDER'S EQUITY		
CAPITAL STOCK AUTHORIZED, ISSUED AND FULLY PAID:		
1,700 SHARES WITH A PAR VALUE OF $100 EACH	**170**	170
RETAINED EARNINGS	**132,428**	94,225
	132,598	94,395
	643,075	557,325

COMMITMENTS (NOTE 14)
SUBSEQUENT EVENT (NOTE 15)

On behalf of the Board of Directors



Michel Crête
Chairman of the Board

Robert Crevier, CA
Chairman of the Audit Committee

CONSOLIDATED STATEMENT OF CASH FLOWS

	FOR THE YEAR ENDED MARCH 31, 2000	
	2000	1999
	(in thousands of dollars)	
OPERATING ACTIVITIES		
NET INCOME	**1,325,791**	1,202,003
ITEMS NOT AFFECTING CASH FLOWS:		
DEPRECIATION OF FIXED ASSETS	**68,044**	74,451
DEPRECIATION OF DEFERRED CHARGES	**308**	4,386
CONTRIBUTION TO THE SOCIÉTÉ EN COMMANDITE	**3,139**	2,867
SHARE OF EARNINGS OF THE SOCIÉTÉ EN COMMANDITE	**(14)**	(316)
CHANGES IN ASSETS AND LIABILITIES RELATED TO OPERATIONS (NOTE 16)	**(1,271)**	(14,081)
CASH FLOWS FROM OPERATING ACTIVITIES	**1,395,997**	1,269,310
FINANCING ACTIVITIES		
DIVIDENDS PAID	**(1,262,000)**	(1,105,000)
BANK LOANS	**51,274**	(57,552)
CONTRIBUTIONS TO THE QUÉBEC GOVERNMENT	**(19,745)**	(17,816)
FONDS D'AIDE À L'ACTION COMMUNAUTAIRE AUTONOME	**(16,348)**	(17,133)
CASH FLOWS FROM FINANCING ACTIVITIES	**(1,246,819)**	(1,197,501)
INVESTMENT ACTIVITIES		
ACQUISITIONS OF FIXED ASSETS	**(113,919)**	(51,917)
DEPOSITS FOR THE ACQUISITION OF FIXED ASSETS	**(360)**	(10,177)
ACQUISITION OF INVESTMENTS	**(16,578)**	(18,839)
ACQUISITION OF PATENTS	**(165)**	(761)
CASH FLOWS FROM INVESTMENT ACTIVITIES	**(131,022)**	(81,694)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**18,156**	(9,885)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**37,509**	47,394
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 16)	**55,665**	37,509

NOTE 1. AUTHORITY AND OBJECTIVES

The Société des loteries du Québec (the company), also designated as Loto-Québec, is a joint-stock company whose shares form part of the public domain and are allotted to the Minister of Finance. Under its act of incorporation (R.S.Q., c. S-13.1), its functions are to conduct and administer lottery schemes and to operate businesses which are incidental to the operation of a State casino. It may also offer, for consideration, consulting and implementation services in matters within its competence.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Loto-Québec have been prepared by management in accordance with generally accepted accounting principles. These statements comprise amounts based on best judgment and estimates.

Consolidation

The consolidated financial statements include the accounts of Loto-Québec and its wholly owned subsidiaries:

- Lotim inc.
- La Société des casinos du Québec inc.
- Casiloc inc.
- La Société des loteries vidéo du Québec inc.
- Resto-Casino inc.
- Ingenio, filiale de Loto-Québec inc.
- La Société des bingos du Québec inc.
- World Gaming Consultants, inc.
- 9059-3849 Québec inc.

The investment in the Société en commandite Manoir Richelieu is entered at its consolidation value.

Revenue

Lotteries

Gross revenue from the sale of lottery tickets and bingo cards is recorded on the date of the draw, with the exception of revenue from instant lottery ticket sales, which is entered at the time of sale.

Lottery tickets sold as at March 31 for draws subsequent to that date are, except for instant lotteries, treated as deferred income. Discounts to retailers on these sales are carried as prepaid expenses.

Casinos and video lotteries

Revenue from the operation of these sectors of activity corresponds to the difference between bets and prizes awarded.

Multimedia

Revenues represent royalties based on a certain percentage of the total of the CD lottery's retail price. These revenues are recorded when the printer delivers the CD lottery to the lottery organizations.

Prizes awarded

Prizes awarded from ticket sales for bingo and certain lottery products are based on a theoretical sales rate.

In addition to lottery prizes in cash or merchandise, Loto-Québec also awards free tickets. The value ascribed to these prizes is equal to the selling price and is included with sales as revenue and with prizes as expenditure.

Inventory

Video lotteries

The inventories are valued at the lower of average cost and replacement value.

Restaurants
The inventories are valued at the lower of cost and net realizable value. Cost is established as follows:

Food and drink: average cost
Kitchen equipment: base stock

Fixed assets

Fixed assets are presented at acquisition cost and, except for works of art, are depreciated according to their estimated useful life using the straight-line method based on the following annual rates:

Buildings	2% to 6 2/3%, 10% and 20%	Interior design	10% to 20%
		Office furniture	10% and 20%
Parking lot landscaping	6 2/3%	Leasehold improvements	10% to 20%
Rented parking lot landscaping	20% and 36.36%	Equipment	10% to 33 1/3%
Landscaping	10% and 14.29%	Rolling stock	30%

Patents

Patents are presented at cost and are amortized using the straight-line method over a three-year period.

Deferred charges

Deferred charges correspond to the cost of the Pont des Îles, the property of the city of Montréal, which was paid by a subsidiary of Loto-Québec. The deferred charges are depreciated using the straight-line method at an annual rate of 10%.

NOTE 3 COST OF SALES

	2000	1999
	(in thousands of dollars)	
LOTTERIES		
Prizes awarded	913,752	859,155
Discounts to retailers	121,286	114,015
Printing of tickets	30,115	25,217
	1,065,153	998,387
CASINOS	1,177	–
VIDEO LOTTERIES		
Commissions to retailers	278,522	230,388
Printing	703	646
	279,225	231,034
BINGO GAMES		
Prizes awarded	18,265	18,572
Commissions to operators	2,220	2,256
Printing of cards	402	444
	20,887	21,272
RESTAURANTS	20,303	16,944
	1,386,745	1,267,637

NOTE 4 **INTEREST – NET**

	2000	1999
	(in thousands of dollars)	
INTEREST ON BANK LOANS	**6,985**	5,873
INTEREST ON TERM DEPOSITS	**(1,122)**	(1,077)
	5,863	4,796

NOTE 5 **SPECIAL PAYMENTS**

	2000	1999
	(in thousands of dollars)	
COMPENSATION TO THE GOVERNMENT OF CANADA	**13,172**	12,981
NET CONTRIBUTION TO THE SOCIÉTÉ EN COMMANDITE MANOIR RICHELIEU	**3,125**	2,551
SPECIAL COMMISSIONS TO NON-PROFIT ORGANIZATIONS (NPOS)	**453**	465
COMPENSATION TO PARTICIPATING NPOS	**8,067**	8,254
COMPENSATION TO NON-PARTICIPATING NPOS	**975**	1,045
	25,792	25,296

Compensation to the government of Canada

Under an agreement reached between the provincial governments and the government of Canada concerning the federal government's withdrawal from the administration of lotteries, the provinces pay the federal government the equivalent of $24 million, in 1979 dollars, every year. For the year ended March 31, 2000, this amount was $53.7 million (1999- $52.7 million).

The Québec government's share is payable by the company according to an agreement between the provinces and regional lottery corporations.

Net contribution to the Société en commandite Manoir Richelieu

Under the terms of the guarantee agreement and according to the distribution methods specified in the partnership agreement, the net contribution represents the minimum share of liquidities generated by the operations of the Casino de Charlevoix that is to be paid to the partners, after deducting Loto-Québec's share in net income generated by the Manoir Richelieu.

Special commissions to non profit organizations (NPOs)

Further to a decision by the shareholder, a commission equal to the discount allotted to retailers is paid to non-profit organizations selling lottery tickets through the LOTOMATIQUE subscription system.

Compensation to non-profit organizations (NPOs)

The amended bingo regulations, applied as of October 15, 1999, establish the following compensation for NPOs:

Participating NPOs

La Société des bingos du Québec inc. allots charitable or religious organizations that hold a bingo licence an amount equal to the higher of 36.4% of bingo ticket sales less the value of prizes paid to game winners (20% of bingo ticket sales before the amendment) or 50% of net income generated by bingo games, not counting compensation to non-participating NPOs.

Non-participating NPOs
La Société des bingos du Québec inc. allots an amount equal to 5.45% of total ticket sales of its GRAND TOUR game, less the value of prizes awarded to winners of this game, to charitable or religious organizations that hold a bingo licence but do not participate in the company's bingo games (3% of ticket sales of the GRAND TOUR game before the amendment).

NOTE 6 FONDS D'AIDE À L'ACTION COMMUNAUTAIRE AUTONOME

Under its act of incorporation, each year the company pays into the Fonds d'aide à l'action communautaire autonome (independent community action support fund), out of the excess of revenue over expenses, a sum equivalent to 6% of net income earned during the previous fiscal year by the company's subsidiaries related to operation of state-run casinos and the businesses which are incidental to them.

NOTE 7 CONTRIBUTIONS TO THE QUÉBEC GOVERNMENT

	2000	1999
	(in thousands of dollars)	
Ministère des Finances	**11,640**	9,668
Ministère de l'Agriculture, des Pêcheries et de l'Alimentation (MAPAQ)	**5,000**	5,000
Ministère de la Santé et des Services sociaux	**3,000**	–
Ministère de la Culture et des Communications	**–**	3,000
Ministère des Affaires municipales	**600**	800
	20,240	18,468

NOTE 8 ACCOUNTS RECEIVABLE

	2000	1999
	(in thousands of dollars)	
Wholesalers	**20,671**	22,866
Retailers	**15,785**	22,187
Miscellaneous	**17,012**	6,033
	53,468	51,086

NOTE 9 INVENTORY

	2000	1999
	(in thousands of dollars)	
VIDEO LOTTERIES		
Video lottery terminals	**3,010**	5,247
RESTAURANTS		
Food and drink	**3,739**	2,095
Kitchen equipment	**1,176**	1,159
	4,915	3,254
	7,925	8,501

NOTE 10 **FIXED ASSETS**

	2000			1999
	Cost	Accumulated depreciation	Net	Net
	(in thousands of dollars)			
LAND	**29,797**	**–**	**29,797**	23,816
BUILDINGS	**201,816**	**42,019**	**159,797**	163,377
PARKING LOT LANDSCAPING	**75,494**	**27,232**	**48,262**	52,783
RENTED PARKING LOT LANDSCAPING	**4,922**	**1,131**	**3,791**	3,845
LANDSCAPING	**18,886**	**7,996**	**10,890**	11,708
INTERIOR DESIGN	**71,087**	**39,517**	**31,570**	35,787
OFFICE FURNITURE AND ROLLING STOCK	**20,310**	**12,945**	**7,365**	7,551
LEASEHOLD IMPROVEMENTS	**35,948**	**15,190**	**20,758**	6,581
EQUIPMENT	**358,317**	**218,367**	**139,950**	89,650
WORKS OF ART	**2,502**	**–**	**2,502**	2,126
CONSTRUCTION IN PROGRESS	**16,082**	**–**	**16,082**	8,433
	835,161	**364,397**	**470,764**	405,657

NOTE 11 **BANK LOANS**

Demand bank loans are authorized by the Québec government for a maximum amount of $425 million and bear interest at market rates.

NOTE 12 **ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2000	1999
	(in thousands of dollars)	
SUPPLIERS AND ACCRUED LIABILITIES	**105,267**	87,068
DIVIDENDS	**46,000**	57,000
SOCIÉTÉ EN COMMANDITE MANOIR RICHELIEU	**5,676**	2,551
QUÉBEC SALES TAX	**4,545**	4,979
GOODS AND SERVICES TAX	**3,836**	4,438
	165,324	156,036

NOTE 13 **PROVISIONS RELATED TO PRIZES**

	2000	1999
	(in thousands of dollars)	
PROVISION FROM UNCLAIMED PRIZES	**12,431**	18,235
PROVISION FROM PRIZE STRUCTURE VARIANCES	**26,807**	20,090
	39,238	38,325

The provision from unclaimed prizes is made up of unclaimed prizes from all Loto-Québec products excluding Canada-wide games. This amount is used for payment of bonus prizes and retailer prizes.

The provision from prize structure variances in bingo and certain lottery products is made up of all differences between the theoretical amount of prizes to be awarded under the prize structure and the actual amount payable. Monies from this provision are used principally to offset occasional shortfalls arising from prize structures that exceed the forecast amount. Also, this provision may, with the approval of the Board of Directors, be used for bonus prizes or for discharging any claims associated with the games, or it may be included in the results.

NOTE 14. COMMITMENTS

Leases

Under a lease agreement expiring in 2003, the company is committed to paying a minimum of $21.3 million in total for the rental of the premises occupied by its head office in a building held in joint tenancy with SITQ Bureaux inc., which represents a consolidated commitment of $10.6 million. In addition, the company is committed under long-term leases expiring at various dates up until 2014 to renting space for administrative offices. Some of these leases have a 2 to 5-year renewal option.

The minimum future rental payments, in thousands of dollars, are as follows:

2001	15,031
2002	12,417
2003	10,836
2004	6,836
2005	4,069
2006 AND SUBSEQUENT	15,698
	64,887

On-line lottery network

The government has authorized Loto-Québec, through one of its subsidiaries, to replace its lottery game terminals for an amount not exceeding $78.0 million, of which $72.9 million (1999: $16.9 million) was entered as at March 31, 2000. At that date, contractual commitments related to this project totalled $4.4 million (1999: $58.6 million).

Video lotteries

In December 1997, the Québec government authorized a subsidiary of Loto-Québec to acquire a central system including site controllers for an amount not exceeding $20.0 million, of which $6.0 million (1999: $3.3 million) was accounted for as at March 31, 2000. At that date, commitments related to this project totalled $13.6 million (1999: $15.9 million).

In addition, in August 1999, the Québec government authorized that same subsidiary to acquire bar code scanners for the operation of video lottery systems for an amount not exceeding $7.0 million. As at March 31, 2000, no commitment had been given in this regard.

Expansion of the Casino de Hull and construction of a resort complex

Under this project, the Québec government authorized a subsidiary of Loto-Québec to acquire land for an amount not exceeding $4.8 million, of which $2.9 million was accounted for as at March 31, 2000, and to sign an agreement to rent land for a term of no more than 50 years.

The total project budget amounts to $228.0 million. As at March 31, 2000, $12.7 million had been accounted for, and commitments at that date totalled $20.9 million.

Bridge-Mill complex

Loto-Québec, through one of its subsidiaries, is constructing a building for office space and warehouses encompassing all activities carried out in the Montréal area, other than at head office.

The total fixed asset budget amounts to $42.2 million. As at March 31, 2000, $9.3 million had been entered under fixed assets; commitments at that date totalled $11.9 million.

Contributions to the Québec government

Ministère des Finances

With the authorization of the Québec government, the company has given its commitment to the Ministère des Finances to pay sums into a designated fund to finance certain projects and activities related to the plan to revitalize the horse-racing industry. This temporary contribution is equivalent to the annual commission collected by Québec racetracks for video lottery terminals. The company is unable to evaluate the total amount of this commitment.

Ministère de l'Agriculture, des Pêcheries et de l'Alimentation (MAPAQ)

Following the decision to terminate the activities of fairground casinos, the government authorized Loto-Québec to give its commitment to MAPAQ to pay an annual sum of $5 million into a designated fund for five years starting in the 1998 calendar year. At expiry, the agreement will be renewable by mutual consent of the parties.

Ministère de la Santé et des Services sociaux

With the authorization of the Québec government, the company has given its commitment to the Ministère de la Santé et des Services sociaux to pay sums totalling $44.0 million over a six-year period into a designated fund to finance compulsive gambling prevention activities and treatment services for compulsive gamblers. For the coming years, the payments related to the balance of the commitment, in thousands of dollars, are as follows:

2001	3,000
2002	8,000
2003	10,000
2004	10,000
2005	10,000
	41,000

Ministère des Affaires municipales

Following the decision to terminate the activities of temporary casinos, the government authorized Loto-Québec to give its commitment to the Ministère des Affaires municipales to pay a sum of $2.6 million over a five-year period into a designated fund to finance certain organizations, projects and activities in the field of sports and recreation. For the coming years, the payments related to the balance of the commitment, in thousands of dollars, are as follows:

2001	500
2002	400
2003	300
	1,200

NOTE 15. SUBSEQUENT EVENT

On May 9, 2000, the Québec government authorized a subsidiary of Loto-Québec to acquire video lottery terminals for an amount not exceeding $219 million.

NOTE 15 CONSOLIDATED STATEMENT OF CASH FLOWS

	2000	1999
	in thousands of dollars	
CASH AND CASH EQUIVALENTS		
Cash on hand – casinos	**28,686**	25,960
Cash on hand	**26,979**	11,549
	55,665	37,509
CHANGES IN ASSETS AND LIABILITIES RELATED TO OPERATIONS		
Accounts receivable	**(2,382)**	(10,092)
Inventory	**576**	(1,757)
Prepaid expenses	**1,605**	(6,927)
Prizes payable	**6,624**	(1,833)
Accounts payable and accrued liabilities	**11,945**	(3,405)
Provisions related to prizes	**913**	(8,752)
Deferred income	**(20,552)**	18,685
	(1,271)	(14,081)
SUPPLEMENTARY INFORMATION		
Interest paid	**7,003**	6,100
Prepaid expenses transferred to fixed assets	**14,359**	173

NOTE 17 PENSION PLANS

Employees of the parent company, La Société des loteries vidéo du Québec inc., La Société des bingos du Québec inc. and Ingenio, filiale de Loto-Québec inc., participate in the Régime de retraite des employés du gouvernement et des organismes publics (RREGOP) and the Régime de retraite des fonctionnaires (RRF). These are defined benefit plans and contain guarantees upon retirement or death. Contributions charged to consolidated earnings for the fiscal year total $1.8 million (1999: $1.6 million). The employer's obligations towards these government plans are limited to its contributions for current services.

La Société des casinos du Québec inc. and Resto-Casino inc. offer their employees a defined contribution plan. They pay an amount equal to the employee's contribution up to 5% of the annual base salary. The employer's contribution is vested to the employee upon payment. Contributions charged to consolidated earnings for the fiscal year under this plan total $6.0 million (1999: $4.9 million).

NOTE 18 RELATED PARTY TRANSACTIONS

Loto-Québec is related to all Québec government departments and special funds as well as all agencies and enterprises controlled directly or indirectly by the Québec government or subject either to joint control or to significant mutual influence on the part of the Québec government. The company has not concluded any business transaction with these related parties other than in the normal course of its activities and on regular business terms. These transactions are not disclosed separately in the financial statements.

NOTE 19. SEGMENTED INFORMATION

2000
in thousands of dollars

Activity sector	Lotteries[1]	Casinos	Video Lotteries	Bingo	Multimedia	Restaurants	Inter-company elimination	Consolidated figures
Revenue	1,768,224	683,461	928,412	40,433	323	66,558	(43,186)	3,444,225
Cost of sales	1,065,476	1,177	279,225	20,887	–	20,303	(323)	1,386,745
Gross profit	702,748	682,284	649,187	19,546	323	46,255	(42,863)	2,057,480
Operating expenses								
Operating expenditures [1]	162,957	321,446	36,776	5,299	4,488	39,111	(42,863)	527,214
Depreciation of fixed assets	12,729	37,239	12,123	950	70	4,933	–	68,044
Depreciation of deferred charges	–	263	–	–	–	45	–	308
Interest - net [1]	(4,168)	11,609	(1,541)	(31)	(6)	–	–	5,863
	171,518	370,557	47,358	6,218	4,552	44,089	(42,863)	601,429
Income (loss) before the following items	531,230	311,727	601,829	13,328	(4,229)	2,166	–	1,456,051
Special payments	13,625	3,125	–	9,042	–	–	–	25,792
Goods and Services Tax [1]	17,458	8,339	22,362	479	–	–	–	48,638
Québec Sales Tax[1]	20,085	9,559	25,637	549	–	–	–	55,830
	51,168	21,023	47,999	10,070	–	–	–	130,260
Net income (net loss)	480,062	290,704	553,830	3,258	(4,229)	2,166	–	1,325,791

[1] Indirect costs were paid by the lottery sector and are charged back to other activity sectors in accordance with the extent of their use. An amount of $50.0 million was charged towards the casino sector's results, an amount of $47.8 million to those of the video lottery sector, and an amount of $1.9 million to the bingo sector.

NOTE 19 SEGMENTED INFORMATION

1999
in thousands of dollars

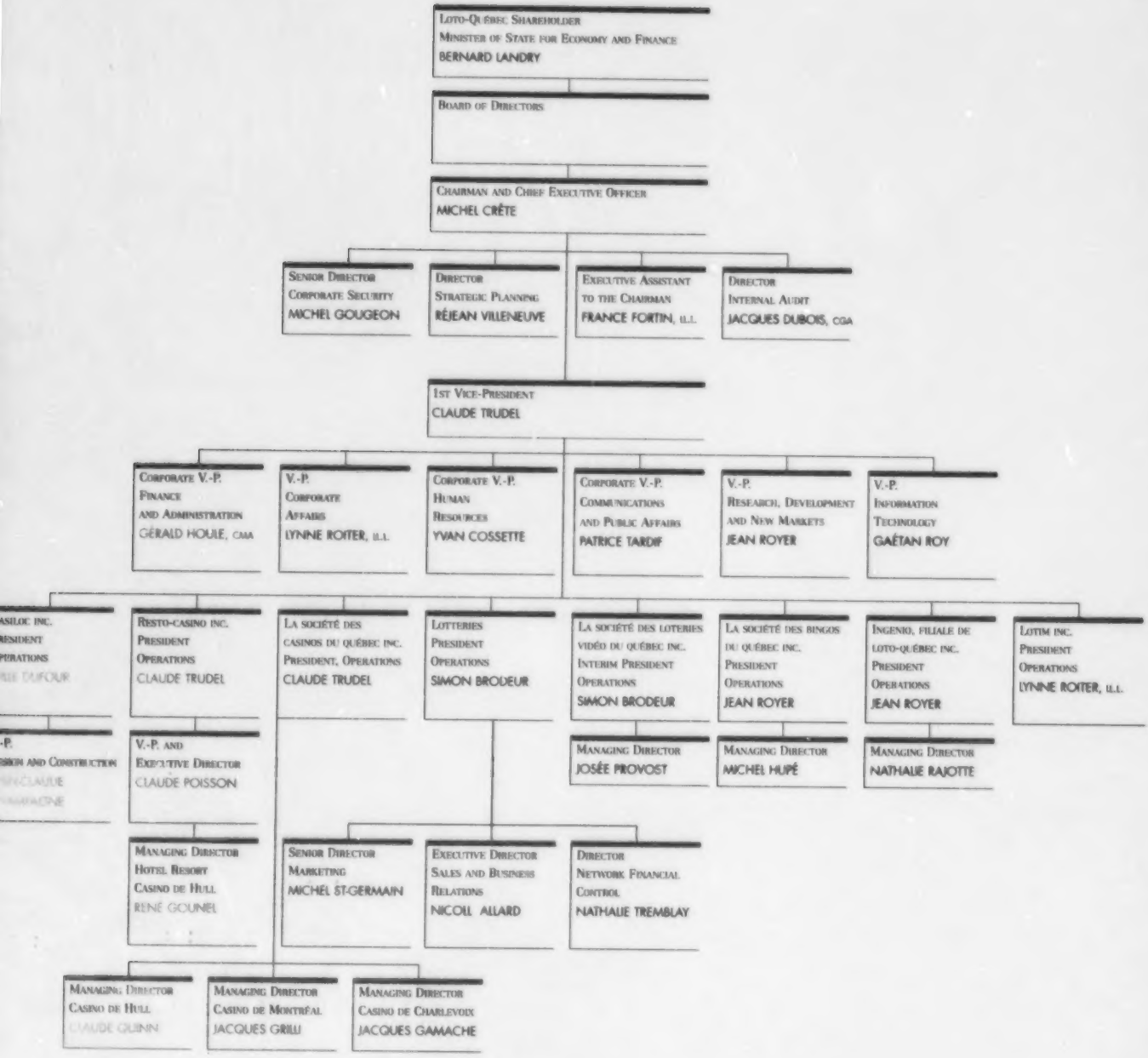
ACTIVITY SECTOR	LOTTERIES[1]	CASINOS	VIDEO LOTTERIES	BINGO	RESTAURANTS	INTER-COMPANY ELIMINATION	CONSOLIDATED FIGURES
REVENUE	1,668,625	633,495	767,969	41,252	56,037	(37,099)	3,130,279
COST OF SALES	998,387	–	231,034	21,272	16,944	–	1,267,637
GROSS PROFIT	670,238	633,495	536,935	19,980	39,093	(37,099)	1,862,642
OPERATING EXPENSES							
OPERATING EXPENDITURE [1]	137,742	288,149	30,242	4,934	32,791	(37,099)	456,759
DEPRECIATION OF FIXED ASSETS	8,318	36,233	23,770	945	5,185	–	74,451
DEPRECIATION OF DEFERRED CHARGES	–	4,153	–	–	233	–	4,386
INTEREST – NET [1]	(5,720)	13,108	(2,624)	32	–	–	4,796
	140,340	341,643	51,388	5,911	38,209	(37,099)	540,392
INCOME BEFORE THE FOLLOWING ITEMS	529,898	291,852	485,547	14,069	884	–	1,322,250
SPECIAL PAYMENTS [1]	13,446	2,551	–	9,299	–	–	25,296
GOODS AND SERVICES TAX [1]	16,146	8,241	19,286	466	–	–	44,139
QUÉBEC SALES TAX [1]	18,654	9,475	22,147	536	–	–	50,812
	48,246	20,267	41,433	10,301	–	–	120,247
NET INCOME	481,652	271,585	444,114	3,768	884	–	1,202,003

[1] Indirect costs were paid by the lottery sector and are charged back to other activity sectors in accordance with the extent of their use. An amount of $45.9 million was charged towards the casino sector's results, an amount of $39.9 million to those of the video lottery sector, and an amount of $2.0 million to the bingo sector.

March 31, 2000

IN THOUSANDS OF DOLLARS	2000	1999	1998	1997	1996
CONSOLIDATED EARNINGS					
REVENUE	3,444,225	3,130,279	2,837,442	2,619,613	2,257,280
COST OF SALES					
LOTTERIES					
PRIZES AWARDED	913,752	859,155	805,233	781,110	786,589
DISCOUNTS TO RETAILERS	121,286	114,015	107,677	104,813	104,568
PRINTING OF TICKETS	30,115	25,217	23,197	22,389	22,383
SUBTOTAL LOTTERIES	1,065,153	998,387	936,107	908,312	913,540
CASINOS	1,177	–	–	–	–
VIDEO LOTTERIES					
COMMISSIONS TO RETAILERS	278,522	230,388	175,627	139,884	93,170
PRINTING	703	646	511	532	507
SUBTOTAL VIDEO LOTTERIES	279,225	231,034	176,138	140,416	93,677
BINGO GAMES					
PRIZES AWARDED	18,265	18,572	6,556	–	–
COMMISSIONS TO OPERATORS	2,220	2,256	795	–	–
PRINTING OF CARDS	402	444	102	–	–
SUBTOTAL BINGO GAMES	20,887	21,272	7,453	–	–
RESTAURANTS (CASINOS)	20,303	16,944	14,812	13,658	7,342
TOTAL	1,386,745	1,267,637	1,134,510	1,062,386	1,014,559
GROSS PROFIT	2,057,480	1,862,642	1,702,932	1,557,227	1,242,721
OPERATING EXPENSES					
LOTTERIES	162,957	137,742	128,664	118,545	113,486
CASINOS	278,583	251,050	239,611	228,468	134,514
VIDEO LOTTERIES	36,776	30,242	38,244	33,303	28,313
BINGO GAMES	5,299	4,934	2,600	–	–
MULTIMEDIA	4,488	–	–	–	–
RESTAURANTS	39,111	32,791	30,383	28,387	14,895
DEPRECIATION OF FIXED ASSETS	68,044	74,451	72,375	67,124	59,153
DEPRECIATION OF DEFERRED CHARGES	308	4,386	4,588	6,904	4,893
INTEREST – NET	5,863	4,796	6,616	10,512	9,244
	601,429	540,392	523,081	493,243	364,498
INCOME BEFORE THE FOLLOWING ITEMS	1,456,051	1,322,250	1,179,851	1,063,984	878,223
SPECIAL PAYMENTS	25,792	25,296	16,789	13,474	13,344
GOODS AND SERVICES TAX	48,638	44,139	35,753	34,282	28,418
QUÉBEC SALES TAX	55,830	50,812	36,899	34,179	28,065
	130,260	120,247	89,441	81,935	69,827
NET INCOME	1,325,791	1,202,003	1,090,410	982,049	808,396

CORPORATE STRUCTURE



Michel Crête | Lorrain Audy | Joseph Benarrosh | Roger Blais | Robert Crevier | Francine De Montigny-La Haye | Socrates Goulakos | Lynne Roiter

BOARD OF DIRECTORS

MICHEL CRÊTE
Mont-Royal, Chairman of the Board,
Chief Executive Officer, Loto-Québec

LORRAIN AUDY ■
Repentigny, Executive Director, Association des directeurs de Police et de Pompiers du Québec

JOSEPH BENARROSH
Montréal, President, JJDS Capital Inc.

ROGER BLAIS
Gatineau, Engineer, Physical Engineering

ROBERT CREVIER, CA ▲■
Montréal, Management Consultant

FRANCINE DE MONTIGNY-LA HAYE
Montréal, Partner Director, NATIONAL-Montréal

SOCRATES GOULAKOS, CA▲
Mont-Royal, Partner, Dragonas Goulakos, Chartered Accountants

LYNNE ROITER, LL.L.
Westmount, Vice-President, Corporate Affairs,
Corporate Secretary

▲ Member of the Audit Committee
■ Member of the Security Committee

SENIOR MANAGEMENT

MICHEL CRÊTE
Chairman of the Board,
Chief Executive Officer, Loto-Québec

SIMON BRODEUR
President, Operations, Lotteries
Interim President, Operations,
La Société des loteries vidéo du Québec inc.

YVAN COSSETTE
Corporate Vice-President, Human Resources

GILLE DUFOUR
President, Operations, Casiloc inc.

FRANCE FORTIN, LL.L.
Executive Assistant to the Chairman

GÉRALD HOULE, CMA
Corporate Vice-President, Finance and Administration

LYNNE ROITER, LL.L.
Vice-President, Corporate Affairs,
Corporate Secretary

GAÉTAN ROY
Vice-President, Information Technology

JEAN ROYER
President, Operations,
La Société des bingos du Québec inc.
President, Operations,
INGENIO, filiale de Loto-Québec inc.
Vice-President, Research,
Development and New Markets

PATRICE TARDIF
Corporate Vice-President,
Communications and Public Affairs

CLAUDE TRUDEL
President, Operations,
La Société des casinos du Québec inc.
President, Operations, Resto-Casino inc.
1st Vice-President, Loto-Québec

# of Corporate Functions

Strategic Planning: the cornerstone of coherent expansion
Orientation of programs of action and initiatives of administrative units and subsidiaries on the basis of corporate values, priorities and objectives

Corporate Security: integrity of both personnel and operations; protection of facilities and equipment
Development and implementation of specific security standards and procedures for each of the facilities and operations of Loto-Québec and its subsidiaries
Establishment, coordination and follow-up of preventive measures and plans of action
Strengthening of computer security

Finance and Administration: operations control and support
Entry of all transactions of the company and its subsidiaries
Financial analyses and information required for decision making
Overall operational and budgetary control of operations
Cash flow management and optimization of the company's funds
Management of insurance portfolio
Procurement of goods and services
Building management and general services

Internal Audit: methodical, ongoing evaluation of control systems
Evaluation of current and potential risks
Consulting expertise and support for senior management in its efforts to optimize resources
Inclusion of managers in the process of evaluating their activities

Corporate Affairs: upholding of integrity and credibility; international impact
Corporate secretariat for Loto-Québec and its subsidiaries
Corporate legal services
Formulation and follow-up of application of Code of Ethics and corporate policies
Formulation and implementation of corporate program for scientific research and prevention of compulsive gambling
Management of documentary resources
Administration of Lotim subsidiary
Maintenance of general secretariat of World Lottery Association (WLA)

Human Resources: development and recognition of skills
Formulation, implementation and follow-up of policies, programs and management systems for all personnel of Loto-Québec and its subsidiaries
Workforce planning; hiring, integration and training of employees
Labour relations
Payroll and management information
Financial aspects of occupational health and safety
Employee assistance; retirement planning
Career planning and management
Succession planning

Information Technology: evolution and reliability of systems
Development, management and operation of lottery systems and lottery management systems, as well as administrative systems of Loto-Québec
Planning and control of development of technological infrastructures
Monitoring of technological developments; consulting expertise to senior management
Adaptation of systems to customers' requirements
Maintenance of maximum availability of gaming systems
Technical support for retailers and wholesalers in the network and internal users of computer technology
Technical assistance and support for the subsidiaries

DISTRIBUTION of Corporate Functions

Research, Development and New Markets: diversification of products; expansion of activities
Development of products fostering growth and profitability of the gaming sectors
Creation of bridges between the world of entertainment and the gaming industry
Development of a testing ground for new groups of games
Formation of partnerships with the private sector
Exploration of outside commercial potential of products developed for Loto-Québec and its subsidiaries

Communications and Public Affairs: upholding of corporate reputation for excellence; transparency of communications; corporate presence in the communities
Customer service
Responsibility for conducting of sports betting operations, draws and televised games
Promotion of corporate image
Dissemination of information on Loto-Québec and its subsidiaries
Media relations
Internal communications
Sponsorships
Loto-Québec art collection

OUR LANGUAGE POLICY

In cooperation with the Office de la langue française, the Corporation continued to develop a language policy to be applied in all its operating sectors, in accordance with the government's policy concerning the use and quality of French in the public administration. Our policy covers the use and quality of French, both in communications within the Corporation and in corporate communications and relations with the public, its partners and its suppliers. As soon as it has been completed and approved by the Board of Directors, our policy will be circulated throughout Loto-Québec and its subsidiaries.

for Directors and Executives of Loto-Québec and Its Subsidiaries

Following the coming into force of the *Regulation respecting the ethics and professional conduct of public office holders*, the members of the Board of Directors of Loto-Québec established a code of ethics and rules of professional conduct.

The values contained in this code, notably integrity, fairness and transparency, are values which Loto-Québec has always emphasized and with which all its senior executives are now linked. Since it became effective on September 1, 1999, the Code of Ethics and Rules of Professional Conduct for Directors and Executives of Loto-Québec and its Subsidiaries has been fully adhered to by all those to whom it applies.

1 DEFINITIONS

1. In this Code, unless the context indicates otherwise:

a) *"director"* means a member of the Board of Directors of Loto-Québec or any of its subsidiaries, whether or not working full-time within Loto-Québec or any of its subsidiaries;

b) *"Board"* means the Board of Directors of Loto-Québec or any of its subsidiaries;

c) *"executive"* means any contractual manager whose employment conditions are subject to the approval of the Board;

d) *"enterprise"* means any form that can be taken by the organization for the production of goods or services or any other business of a commercial, industrial or financial nature or any group seeking to promote certain values, interests or opinions or to exercise an influence on public officials; however this does not include the Corporation or a non-profit association or group that has no financial link with the Corporation or is not incompatible with the objects of the Corporation;

e) *"subsidiary"* means a wholly owned subsidiary of Loto-Québec;

f) *"Act"* means the *Act constituting the Société des loteries du Québec*, (R.S.Q. c. S-13.1), as amended from time to time;

g) *"Chairman of the Board"* means the Chairman and Chief Executive Officer of Loto-Québec;

h) *"Corporation"* means Loto-Québec.

2 ETHICAL PRINCIPLES AND GENERAL RULES OF PROFESSIONAL CONDUCT

2.1 This Code applies to the directors and executives of the Corporation and its subsidiaries, who are bound to comply with its provisions.

2.2 A director or executive is appointed to contribute to the achievement of the mission of the Corporation in the best interest of Québec. Accordingly, he is expected to use his knowledge, abilities, experience and integrity in a way that will promote the fair and efficient accomplishment of the objectives assigned to the Corporation by the Act and the good administration of the property it owns as mandatary of the State.

2.3 A director or executive shall, in the performance of his duties, comply with the Corporation's mission and the following objectives:

- Performance: by offering the best possible entertainment products and services in the lottery, casino, video lottery and bingo sectors and by increasing the public funds entrusted to it.
- Integrity and credibility: by demonstrating steadfast vigilance to ensure the integrity, transparency and credibility of the Corporation's activities.
- Expansion: by developing new markets through associations and partnerships, which will allow it to considerably enhance the traditional lottery games, casinos and video lotteries it offers.
- Competence and expertise: by promoting the development of the skills essential to the Corporation and establishing programs that ensure respect for human resources.
- Social role: by expanding the ways of sharing the fruit of its operations with the various communities and regions and increasing its activities in the prevention of compulsive gambling.

2.4 A director or executive who, at the request of Loto-Québec or any of its subsidiaries, serves as director or executive of another undertaking or company, or as a member, is held to the same standards.

2.5 A director or executive shall seek, in the performance of his duties, only the interest of the Corporation to the exclusion of his own interest or that of others.

2.6 A director is required, in the performance of his duties, to comply with the ethical principles and rules of professional conduct prescribed by the *Regulation respecting the ethics and professional conduct of public office holders*. An executive is also required to respect these rules, to the extent that they are applicable to him.

3 DUTIES AND OBLIGATIONS OF DIRECTORS AND EXECUTIVES WITH RESPECT TO CONFLICTS OF INTEREST

3.1 PREVENTION OF CONFLICTS OF INTEREST

3.1.1 A director or executive shall avoid placing himself in a situation in which his personal interest is in conflict with the duties of his position.

3.1.2 To be referred to by this Code, the interest held by a director or executive in another enterprise must be such that it is likely to conflict with the performance of his duties within the Corporation or any of its subsidiaries. A director or executive who has an interest in an enterprise is in a situation of "conflict of interest" in the following cases, among others:

- If Loto-Québec or any of its subsidiaries has or is likely to have a significant business relationship with the enterprise, the significance of that relationship being both for Loto-Québec and for the enterprise.
- If the enterprise is a listed company and its business relationship with Loto-Québec or any of its subsidiaries is likely to have an effect on listed shares.
- If the interest of the director or executive in the enterprise that has a business relationship with Loto-Québec or any of its subsidiaries is such that it may influence the enterprise's affairs.
- If the enterprise has signed a contract with Loto-Québec or any of its subsidiaries and this contract is such that it has an impact on the enterprise's assets.
- If the enterprise is awarded a contract for which the director or executive has been involved in the choice of supplier.

3.1.3 A director who is party to a contract with Loto-Québec or any of its subsidiaries, or an executive who is party to a contract with Loto-Québec or any of its subsidiaries other than his contract of hiring, is also considered to be in conflict of interest.

3.2 DISCLOSURE AND ABSTENTION

3.2.1 A director or executive who:

a) has a direct or indirect interest in an enterprise that places him in a situation of conflict of interest under section 3.1.2 of this Code;

or

b) is party to a contract with the Corporation or a subsidiary under section 3.1.3;

shall disclose the nature and extent of his interest in writing to the Chairman of the Board. A director shall also abstain from deliberating or voting on any question linked to this interest and avoid trying to influence the related decision. He shall withdraw from the meeting while deliberations and voting on this question continue.

3.2.2 A director or executive shall make the disclosure required in section 3.2.1 as soon as he has knowledge that he is in a conflict of interest under sections 3.1.2 and 3.1.3. In the case of a director, this disclosure of interest shall be recorded in the minutes of the proceedings of the Board of Directors of which he is a member.

3.2.3 A director or executive shall notify the Chairman of the Board in writing of any rights that he may invoke against the Corporation or any of its subsidiaries, indicating their nature and value, as soon as these rights come into existence or when he acquires knowledge of them.

3.2.4 A director or executive shall also submit to the Chairman of the Board, by June 1 of each year in which he remains in office, an attestation in the form provided.

3.2.5 The Chairman of the Board submits the attestations referred to by these sections to the Secretary of the Corporation, who keeps them at the disposal of the members of the Board and the executives. The attestations are treated as confidential.

3.3 WAIVER

3.3.1 This Code does not apply:

a) to owning securities when the size of the holding probably does not place the director or executive in a conflict of interest;

b) to owning an interest by way of a mutual fund in whose management the director or executive plays no role directly or indirectly;

c) to owning interests through a blind trust whose beneficiary may not know its make-up;

d) to owning a minimum number of shares required to be eligible as director of a corporation;

e) to an interest which, by its nature and extent, is common to the public at large or a particular sector in which the director or executive operates;

f) to a directors' liability insurance agreement; or

g) to the owning of shares issued or guaranteed by a government or municipality at the same conditions for everyone.

4 EFFECTIVE DATE

4.1 This Code becomes effective September 1, 1999.

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Web site:
http://www.loterie-video.qc.ca

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Director, Sales
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AND SOUTHEASTERN QUÉBEC
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Branch office:
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Tel.: (819) 820-3162
1-800-361-1244

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AND EASTERN QUÉBEC
Jean-Pierre Des Chênes
Interim Director
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